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NEWS SUMMARY

GENERAL

Tougher police powers promised

The Government plans a Bill in the autumn to give the police new, tougher powers to stop and search people and to enter buildings where crime is suspected.

Speaking at the start of the debate on law and order, Home Secretary William Whitelaw received a cheer from Tory backbenchers.

But the Labour left warned him of sacrificing goodwill, particularly among the black community. Page 8

Three soldiers dead in Belfast

Three soldiers were shot dead in Belfast in the worst incident to hit the army for almost a year. They were killed just after leaving a heavily protected police station. Nine civilians were injured in the ambush. Headway in devolution plans. Page 8

Met chief 'alarm'

Ken Livingstone spoke against the appointment of Sir Kenneth Newman as Metropolitan police commissioner, saying his approach was based on that adopted in Northern Ireland.

Guerrillas jailed

Seventeen Red Brigades guerrillas were sentenced to a total of more than 300 years' jail after being found guilty of kidnapping U.S. General James Dozier. Page 2

Strikers rehired

The Reagan Administration has rehired three air traffic controllers who went on strike in spite of previous statements that they would be barred.

Atlantic rescue

A seaman was last night missing in the North Atlantic after eight of what is believed to be an 11-man crew were rescued. They had abandoned an Icelandic cargo vessel.

French reform

The French Cabinet approved a draft law reducing the voluntary retirement age from 65 to 60. Back Page

Canada Bill

The Lords gave the Canada Bill its Third Reading after a protester interrupted proceedings with a plea on behalf of "the native peoples."

Links restored

Some international telecommunications restrictions will be eased in Poland from Monday, though private calls will still be barred. Debt negotiations. Page 2

Women cleared

A court in Bilbao acquitted 10 women charged with having abortions, noting they had been discriminated against because they could not obtain legal contraceptive help.

Welsh N-protest

Councillors in Gwent's policy committee have decided not to take part in Operation Hard-rock, a national nuclear war emergency exercise.

Shoe shuffle

At least seven London women car drivers have reported a conman who started a conversation about an alleged "engine leak" and stole their high-heeled shoes.

Sea turtles' nesting place, an island on the East African coast, has disappeared through erosion.

BUSINESS

Gold off by $5.6 in NY; $ rises

● GOLD fell $5 to $327 in London. In New York the Comex March close was $326.4 ($332). Page 30

● DOLLAR rose in London to DM 2.3915 (DM 2.3851). FFr 6.2275 (FFr 6.215), SwFr 1.903 (SwFr 1.895) and Y245 (Y243.25). Its trade-weighted index was 113.2 (114.8). Page 30

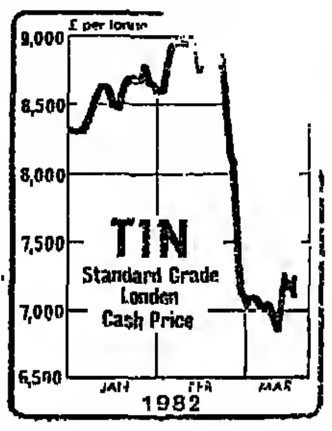
● STERLING lost 95 points on the day to close in London at $1.799. It fell to DM 4.305 (DM 4.315). FFr 11.2 (FFr 11.235) and SwFr 3.425 (SwFr 3.43), but rose to Y441 (Y440.5). Its trade-weighted index was unchanged at 91.4. Page 30

● EQUITIES: the FT 30-share index lost 2.7 to close at 559.9. Page 38

● GILTS: the Government Securities Index closed 0.22 down at 68.91. Page 38

● WALL STREET was 7.81 up at 831.15 near the close. Page 36

● TIN AGREEMENT will be joined by the EEC. In London



tin closed £60 down at £7,090 a tonne. Page 37

● INTEREST RATE increases would make economic growth this year less likely according to the Bank of England's Quarterly Review. Back Page and Page 10

● EEC will soon pay the UK £813.2m, the largest single refund ever paid, representing the major share of the £1,006m being paid to offset the costs of Britain's membership last year. Page 6

● CHINA has signed a $230m (£128m) preliminary agreement with Occidental Petroleum of the U.S. to develop large coal deposits west of Peking. Back Page

● UK GOVERNMENT is to seek curbs on new air services between Britain and the U.S. and on extra seats for existing routes in Washington talks next week. Back Page

● TILBURY DOCKS in London were stopped by a pay strike involving 1,800 in the general cargo handling area. Page 9

● A. B. DICK, the U.S. office equipment maker, announced the resignation of its president and chief executive, Mr Geoffrey Cross. Back Page

● THOMAS TILLING, the industrial conglomerate, has bought Alpha Metals, a U.S.-based specialist solders maker, and U.S. Supply Company, a Florida-based valve distributor, for a total of nearly £28m. Page 24

COMPANIES

● TRICENTROL, the oil, gas and minerals exploration group, increased pre-tax profits to £45.14m (£41.09m) in 1981. Page 26

● OCEAN TRANSPORT and Trading's pre-tax profits fell to £33.4m (£35.5m) last year. Page 23, Lex, Back Page

● BSR reported taxable profits of £4.47m for the year to January 9, compared with losses of £17.66m. Page 22

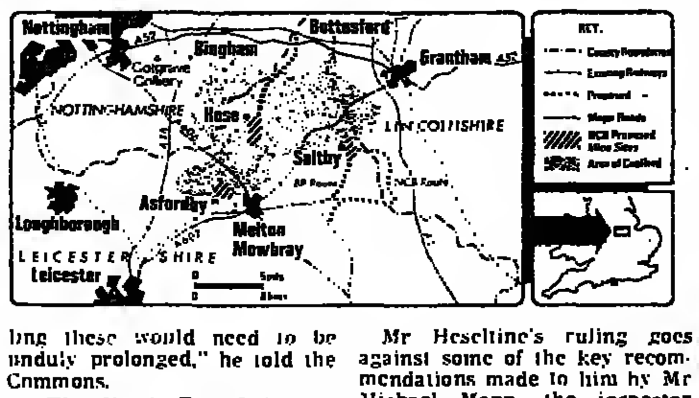
CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			
Treas 2pc IL 2006	£97	+	1
Ash and Lacy	300	+	10
Babcock Intnl	98	+	5
Bemrose	73	+	13
Bluemel Brothers	28	+	3
British Printing	161	+	[illegible]
Goodman Brothers	17	+	3
Hicks and Hill	154	+	8
Inter City Invs	56	+	11
Lancaster (D. M.)	31	+	6
Lec Refrigeration	247	+	27
Carless Capel	160	+	8
NCC Energy	85	+	10
Ultramar	390	+	12
FALLS			
Exchqr 13¼pc 1987			
A £50 pd	£59	−	1
Treas 12pc 1995	£99	−	1
BICC	326	−	10
BSR	78	−	5
Barclays Bank	430	−	8
Berwick Timpo	29	−	4
Eagle Star	250	−	5
Equity and Law	412	−	16
ICI	320	−	4
London Merchant	254	−	6
Racal Elec	378	−	7
Saga Holidays	186	−	5
Tilling (T.)	154	−	7
Turner and Newall	81	−	3
Unilever	616	−	14
IC Gas	183	−	13
Tricentrol	194	−	4
Buffels	£15	−	[illegible]
De Beers Dfd	226	−	12
Geevor	290	−	15
Jo'burg Cnsd	£21	−	[illegible]
Kloof Gold	[illegible]	−	[illegible]
Randfontein Ests	£21	−	[illegible]
Rustenburg Plat	156	−	11
Vaal Reefs	£23	−	[illegible]
Western Deep	£12	−	[illegible]

Heseltine turns down Belvoir coal project but two pits are likely

BY MARTIN DICKSON, ENERGY CORRESPONDENT



THE National Coal Board has been refused Government permission for one of three controversial new pits it wants to sink in Leicestershire's attractive Vale of Belvoir—but it is likely to be given the go-ahead for the other two if it submits better plans to protect the environment.

The decision is a substantial setback to the NCB, making Belvoir coal more expensive to mine, but development of the coalfield should still go ahead.

Mr Michael Heseltine, Environment Secretary, yesterday gave his long-awaited verdict on the NCB's planning application to mine 7.2m tonnes of coal a year from three new pits in northeast Leicestershire—at the villages of Hose, Saltby and Asfordby.

The outcome is a compromise between Mr Heseltine's initial opposition to all three mines — at least for the moment — and the Department of Energy's support for the NCB's plans on grounds of national fuel needs.

Mr Heseltine rejected any mine at Hose, the only one of the three sites inside the Vale proper—on the grounds that a pit there would be "alien" and environmentally unacceptable.

He also opposed the NCB's plan to build a spoil tip at Saltby and expressed "concern" about the one planned for the Asfordby mine. But the Minister said the NCB could submit a new planning application for these pits, taking account of the spoil tip problem.

"Provided the major environmental objections can be overcome, I would not anticipate that the procedures for handling these would need to be unduly prolonged," he told the Commons.

"The North East Leicestershire coalfield is going to be developed. The issue now is how we deal with the complex problems of spoil disposal," he said.

The NCB last night expressed disappointment that Mr Heseltine had not accepted its applications in their present form. But it said it was urgently looking at the idea of fresh applications.

Mr Lawrence Daly, Secretary General of the National Union of Mineworkers, complained that the announcement would mean at least a year's delay in the project and would threaten miners' jobs in the Leicester area.

Mr Gerald Kaufman, the shadow Environment Secretary, attacked the Government for "blasting a large hole" through the NCB's plans. He said three years had passed since the Board's application had been first submitted. Mr Heseltine's statement was a "lamentable confession of vacillation and delay" which could cost 4,000 jobs.

Mr Heseltine's ruling goes against some of the key recommendations made to him by Mr Michael Mann, the inspector who headed an 84-day planning inquiry into Belvoir mining in 1979-80.

The inspector's report, also published yesterday, recommended that mining go ahead at all three sites, which he felt represented the "best compromise between operational and environmental factors." Mr Mann said permission for spoil tips should be refused at Hose and Saltby but permitted at Asfordby.

But Mr Heseltine concluded that a pit at Hose would "destroy one of the finest landscape features of Midland England."

The Minister said that he would have been "minded to grant planning permission for mines at Asfordby and Saltby," had there been acceptable proposals for spoil disposal and had this not meant "in effect granting permission for development which is significantly different in kind from the proposal which was the subject of the application."

Villagers sleep easy, Page 6; Labour anger, Page 8

Tension grows as Israel sacks West Bank mayors

BY OUR TEL AVIV CORRESPONDENT

ISRAEL took drastic political action yesterday in response to the wave of Palestinian protests which have gripped the occupied West Bank for the past week.

Mr Bassam al-Shaka and Mr Karim Khalef, the two most influential mayors on the West Bank, were summarily sacked by the Israeli authorities. Tension further increased as an Israeli soldier was killed in a grenade attack in the Gaza Strip, raising the prospect of the conflict spreading.

Israel has consistently warned that any attacks on its troops or civilians will be interpreted as a violation of last summer's ceasefire in southern Lebanon. It has also accused Palestine Liberation Organisation of presenting a direct threat to Israel by building up its forces in southern Lebanon.

The sacking of Mr al-Shaka, mayor of Nablus, and Mr Khalef, of Ramallah, was denounced as illegal by many Palestinians, and the parliamentary Opposition issued its strongest condemnation yet of the Government's hardline measures.

The Labour Party warned the measures would lead to a further deterioration of the situation on the West Bank. It claimed that Ministers appeared to be losing control and were making hasty decisions which could jeopardise all chances of a future dialogue.

The Opposition failed narrowly earlier this week to press home a no-confidence vote on Mr Menahem Begin, the Prime Minister, for his handling of the West Bank issue.

The vote was tied and the Cabinet then rejected by 12 votes to 8 Mr Begin's proposal that the Government should resign. There will be another critical vote next Monday on the introduction of an interim budget.

Israeli units, reinforced by paratroopers and armoured personnel carriers, mounted a show of strength in Ramallah and Nablus after the two towns' mayors had been sacked, but no serious unrest was reported there.

But in the Gaza Strip, an Israeli sergeant-major was killed and three soldiers wounded by a hand grenade thrown at their vehicle. The sergeant was the first Israeli victim of the past week's violence.

Editorial Comment, Page 20

Burman seeks workers' pay cut

BY ARTHUR SMITH, MIDLAND CORRESPONDENT

A MIDLANDS company has urged many of its 750 workers to accept a £12 a week pay cut to help ensure its survival.

Burman and Sons, part of the Adwest Group and a long established Birmingham company supplying steering gears to the motor industry, has told employees they must accept a package of pay cuts, redundancies and productivity changes. The workforce has already been halved over the past two years.

Mr Rex Parkes, president of the West Midlands Engineering Employers Association, said last night that Burman was not alone in its action. Such "painful decisions" were now not unusual in the region.

More than one in three companies had either not paid wage rises or deferred increases. "That in the face of inflation means a cut in wages," he said. The general level of pay deals was below 4 per cent, he said.

LUCAS INDUSTRIES, the motor components and aerospace equipment group, made pre-tax profits of more than £7m for the first half of the current financial year. Back Page

Unions at Burman have started talks with the management on its "survival plan." But Mr Ted Williams, a district official of the Amalgamated Union of Engineering Workers, said employees would at least demand a guarantee of continued employment for the next four to five years before they would discuss a pay cut.

Mr Frank Waller, chairman of Adwest, stressed the need to become competitive: "Unless we can cut prices we won't win the contracts and they won't have the jobs." Burman's workers were "the highest paid in Birmingham," and on average earned £3.50 an hour for a 40-hour week, he said.

Burman had made its position clear and pointed out the losses that were being incurred. Mr Waller thought the company's position was similar to that of many other component suppliers in the depth of recession. There was, he said, no sign of an improvement in orders or in the economy generally.

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Shipping industry pleads for closed shop exemption

By John Lloyd, Labour Editor

A MAJOR employers' organisation has breached the hitherto solid wall of support shown by such bodies for the Employment Bill. It is pleading for exemption from the closed shop provisions of the Bill.

The General Council of British Shipping, which represents the major UK shipowners, had an amendment to the Bill tabled by Mr Marcus Fox, Tory MP for Shipley. This would exempt shipowners from organising ballots of seafarers on whether they wish their closed shop to continue. Under an agreement with the National Union of Seamen dating from 1921, all GCBS members must operate a closed shop. Shipowners were given a measure of exemption from the closed shop provisions of the 1971 Industrial Relations Act.

The Government's first reply has been a dusty one. Mr David Waddington, a junior Employment Minister, yesterday told the employment standing committee of the Commons, of which Mr Fox is a member that "we do not think a case for special treatment for the shipping industry has been made out." However, Mr Waddington said he wished to hear further arguments, and that "the door is shut, but it is not double bolted." He said he would be prepared to discuss the matter with both the seamen's union and with Equity the actors union which has also been lobbying MPs for special treatment under the Bill.

Mr Fox later withdrew his amendment.

The GCBS said yesterday that its case for exemption was based on a number of issues:

● The organisation of a ballot in a thousand ships, half of which rarely or never came to the UK was impractical.

● Obtaining an 80 per cent vote on, or an 85 per cent acceptance of, a closed shop was almost impossible. These are required under the Bill if dismissal of an employee is not to be deemed unfair, and thus attract high compensation. The NUS has warned that it will demand the sacking of anyone who is not a union member.

● The results of not achieving a "recognised" closed shop could be very expensive.

● The holding of a controversial ballot would cause tensions in the closed community on board ship.

While the GCBS stressed that it agreed with the principle of the legislation, its defection could be seen by other employers—who are also alarmed by possible disruption and expense—as an encouragement to follow suit.

Inner city revival planned through U.S. style grants

BY ROBIN PAULEY

THE GOVERNMENT is to run a three-year pilot scheme of Urban Development Action Grants, with a budget of £70m in the first year, as the main part of a master plan to revitalise Britain's most derelict inner urban areas.

Civil servants are putting the final details to the new grants scheme, the brainchild of the Financial Institutions Group set up by Mr Michael Heseltine, Environment Secretary, after last year's riots in a number of Britain's inner city areas.

The 25 managers of the group on secondment for one year from the banks and institutions, have convinced him that this is the best way to channel public and private sector funds into specific urban projects.

It is closely modelled on a U.S. housing and urban development scheme which allocates public money only to projects which have already attracted a large percentage of committed private sector capital.

In the U.S. the minimum ratio of private to public sector money is 2.5 to 1 and the average 6 to 1. British civil servants, contrary to the institutions group view, are proposing that there should be no set ratio other than a general aim "always for the maximum."

Under the plan the grants, in the form of soft loans, capital grants or interest subsidies or guarantees will be available:

● for individual or combined commercial, industrial, hotel, shopping precinct or housing projects.

● for projects of a minimum total cost of £1m (although Mr Heseltine and some group members think smaller projects should qualify).

● limited to projects inside the existing six partnership (very deprived) and 15 programme (deprived) areas although the scheme could be extended to the 14 Other Designated Districts in the Government's designation of deprived inner city areas.

● to cover a maximum 75 per cent of the public sector injection into any scheme so local authorities must contribute at least a quarter of the public portion.

Although Mr Heseltine is anxious to announce the plan as soon as possible, it is not expected to be ready before the 1983-84 financial year.

The criteria for assessing whether a project qualifies for urban development action grants will include the number of jobs it will create, the contribution to economic, social, environmental and racial problems, the amount of private sector money committed, the feasibility of completing the project quickly and the "general condition" of the site area.

It is hoped that response to grant requests would match the U.S. system in giving definite replies to bids within three months, asking for projects to be submitted on a six-monthly cycle.

Other components of the overall master plan for derelict inner cities still being worked on include:

● ICE (or Inner City Enterprise), a service company to look for large investments for inner cities.

● An Equity Mortgage Corporation to invest institutional money in building and housing projects.

● An indexed Housing Bond to channel institutional money into housing and building projects.

● Selective Employment Grants to subsidise jobs in inner cities.

● A "twinning" scheme to link large corporations with small inner city areas such as Brixton or Toxteth.

The new urban grants will be in addition to existing Government money allocated for urban aid.

The Urban Development Corporation in London and Liverpool's docklands will be excluded from all the latest grants money, as they have special extra funds of their own.

A professional team to assess bids for the action grants will be drawn from the private sector and will be empowered to negotiate directly with the parties involved and with the financial institutions.

The present plan is for a team of four: an accountant, an estate agent or chartered surveyor, an investment analyst or entrepreneur and a commercial lawyer.

The team will either be full-time or on short-term full-time secondment and will theoretically be answerable to Mr Heseltine, although in practice this is likely to mean to a middle-rank civil servant.

Feature, Page 20

£ in New York

	Mar. 24	previous
Spot	$1.8015-8030	$1.8125-8140
1 month	0.17-0.22 pm	0.19-0.24 pm
3 months	0.60-0.65 pm	0.64-0.69 pm
12 months	2.20-2.35 pm	2.30-2.40 pm

EUROPEAN NEWS

France tightens controls in bid to guard franc

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government yesterday tried to thwart speculative pressure on the franc by tightening the country's strict foreign exchange controls.

The measures follow sharp rises in interest rates which have carried the Bank of France's day-to-day money market rate up by 4 points since the beginning of last week to 18 per cent, and strong statements by M Jacques Delors, the Finance Minister, ruling out realignment of the franc.

Although the franc strengthened slightly against the D-Mark and the Dutch guilder yesterday, the market remained nervous. Dealers acknowledged the government's determination to resist change in parity but they still see no let up in the pressure on the currency.

The vulnerability of the franc was reflected in the climb in Eurofranc rates which yesterday stood at 42-45 per cent for one-month money and 33-38 per cent for two-month money.

The franc climbed slightly against the D-Mark, rising to FFr 2.611 against FFr 2.616 on Wednesday. It also strengthened against most other European currencies, but fell against the dollar to FFr 6.244 compared with FFr 6.229 on Wednesday.

The present controls were introduced in May last year after the Presidential election and the government had hoped to relax them.

They require that:

● exporters transfer into francs their foreign exchange earnings within 15 days as opposed to the present limit of one month.

● all French investment abroad above FFr 1m must be financed 75 per cent in foreign exchange. Up to now there has been an exemption threshold on the first FFr 1m.

● French citizens can acquire non-resident status for foreign exchange purposes after two years instead of one. Transfers of property would then be subject to authorisation by the Bank of France.

● Purchases of secondary houses abroad will require authorisation.

Schmidt will try to rescue Franco-German tank plan

BY JONATHAN CARR IN BONN

A DRIVE to save the Franco-German battle tank project has been launched by Chancellor Helmut Schmidt, following an appeal from President Francois Mitterrand. Officials here said M Mitterrand had written underlining the exceptional political importance France attached to the plan.

As a result Herr Schmidt was making another attempt to overcome Parliament's strong reservations.

The project for a tank to replace the West German Leopard and French AMX-30 in the 1990s was conceived by Harr Schmidt and ex-President Valery Giscard d'Estaing shortly after the Soviet invasion of Afghanistan. But Opposition in West Germany has mounted both because of soaring cost estimates and because of differing technical requirements.

The French had been pressing for a firm decision by the end of this month on whether the plan could go ahead. The official said this deadline might not be met, but were cautiously hopeful that the go-ahead could be given soon afterwards.

The Chancellor's immediate object is said to be to gain enough support at least to permit a three-year "definition phase" during which prototypes would be built.

It is clear, however, that the plan is being seen here against the broader background of bilateral political and economic relations—not least the huge French trade deficit with West Germany of nearly DM 12bn (£2.8bn) last year.

Behind this West German argument lies the fear that the threat of French trade protectionism may grow, not only undermining Franco-German relations but creating still greater difficulties in the European Community.

Poland stresses desire for negotiated debt accord

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND HAS stressed again that it wants a negotiated agreement with the West on rescheduling its foreign debt.

The statement came in an important foreign policy speech in Parliament yesterday by Mr Jozef Czyrek, the Foreign Minister, against a background of growing fears about the effect on the economy of the lack of Western import credits. U.S. and Nato policy, he said, was aimed at "changing the balance of power" and be repeated that the Government would not bow to Western pressure to lift martial law and resume talks with the solidarity union.

On dabt rescheduling, Mr Czyrek said Poland wanted an agreement which took into account "the interests of the country and its creditors." He said that "this prohlem can be resolved if economic co-operation is restored."

It seems that the government has still not faced fully the effect that Western sanctions will have on the economy. On paper at least, managers are being told to redouble efforts to switch thair trade with the West to Comecon countries. The top government economic committee yesterday issued a directive to this effect in its plan for the second quarter of this year which assumes a mere 4 per cent drop in industrial production against the same period last year.

However, the Government is being told by its experts at the Foreign Trade Minister's research institute that the scope for substituting imports from the West by goods from the East is "very limited indeed." ational income, they say, could drop by more than 20 per cent this year if new credits are not forthcoming.

Mr Zbigniew Bujak, the head of Solidarity in Warsaw who has been in hiding since martial law was imposed, has warned the authorities that they may need the union once social tension rises as a result of the possible 25 per cent cut in living atandards this year.

He avoids, however, any mention of an overt political role for the union and says that, at the national elevel, it will concentrate nn "environmental issues, social policy, housing, education and culture."

Increase of £92m in Irish spending

By Brendan Keenan in Dublin

THE IRISH budget of Mr Charles Haughey's Government introduces an extra I£110m (£91.6m) in spending, most of it in construction. There will also be an extra I£5m levy on banks, a 1 per cent levy on insurance companies' turnover, and VAT on imports at point of entry.

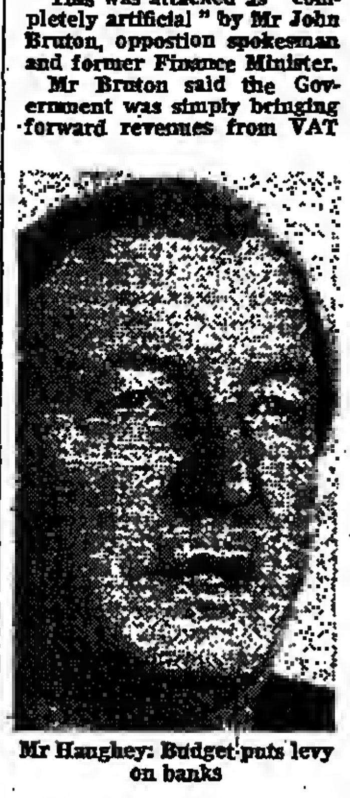
The Government has kept its promise to exempt clothing and footwear from VAT and remove VAT from books. Mr Ray McSharry, Finance Minister, also dropped Dr Garrett FitzGerald's schemes for replacing tax allowances with tax credits, taxing short-term social welfare benefits, and giving allowances to wives who stay at home.

Otherwise, the budget carried forward most of the provisions of the January budget, which brought down the previous administration.

Apart from a proposal to tax short-term capital gains as income—60 per cent on a gain made inside a year and 50 per cent inside three years—the Finance Minister announced no unexpected taxes. But he said the net result of his budget would be to reduce the estimated current budget deficit in the January budget of I£715m to I£679m or 5.6 per cent of GNP.

This was attacked as "completely artificial" by Mr John Bruton, opposition spokesman and former Finance Minister.

Mr Bruton said the Government would also be bringing forward revenues from VAT



Mr Haughey: Budget puts levy on banks

and corporation tax due next year and their proposals would mean a worse current deficit in 1983.

Mr McSharry said that the overall borrowing requirement would rise slightly from the January target to almost I£1.7bn, just under 14 per cent of GNP.

Despite the extra spending in the budget, the Minister said he was determined that the estimate for total government spending of I£5.95bn would not be exceeded.

Mr Bruton warned that bringing forward tax payments would increase the demand for working capital from business and add to the pressure on interest rates, which last week rose by 2 per cent, bringing the prime rate to 19 per cent.

Mr McSharry indicated a sharp reversal of Dr FitzGerald's policy of replacing direct taxes with indirect.

The increase in excise duty on petrol of 8p per gallon was less than that proposed in January and, with the VAT increases, will mean an extra 11p a gallon at the pumps.

Knives flash in West German union battle

BY KEVIN DONE AND STEWART FLEMING IN FRANKFURT

"THE COOL, clear one from the north" is not only the advertising slogan for one of West Germany's best-known brands of schnapps. It also describes the man chosen by trades union leaders, after days of vicious political in-fighting, as their official candidate to succeed Herr Heinz Oskar Vetter as chairman of DGB the union federation.

Herr Ernest Breit (57), head of the postal workers union, is being handed an unenviable task. He has been drafted in at the last minute to take over the candidacy vacated dramatically on Wednesday by Herr Alois Pfeiffer, the DGB's chief economic policy-maker, who has been made the scapegoat for business scandals that have deeply shaken the union movement in recent weeks.

Herr Pfeiffer has fallen victim to union power politics and has been forced to withdraw his candidacy for the DGB's top post as a result of the union bosses' search for at least an outward display of unity.

The campaign to replace Herr Pfeiffer with a candidate untouched by the scandal surrounding Neue Heimat—the flagship business concern of the union movement, where three board members including the chairman were unceremoniously fired last month—has been orchestrated by Herr Heinz Kluncker, the formidable head of the public service workers union, (OTV) the country's second largest union.

Supported by other unions, such as the print workers and the railwaymen, OTV was able to ensure at a crisis meeting in Frankfurt this week that a substantial minority of votes would probably be cast against Herr Pfeiffer at the trade union congress due in May.

Herr Leonhard Mahlein, head of the print and paper workers union, expressed the opposition to Herr Pfeiffer bluntly: "He would do himself and the union movement no good service if he were voted in with just a couple of votes majority in the executive (of the DGB)."

Herr Pfeiffer has done nothing illegal or unusual. In common with several other leading trade unionists, such as Heinz Oskar Vetter himself, Herr Eugen Loderer, head of IG Metall and the most powerful union leader in the country, and Dr Walter Hesselbach, chairman of the union movement's main holding company, he has made perfectly legal tax-sheltered investments in Neue Heimat housing developments in West Berlin. Even the sum he has invested in this way, DM 100,000 (about £23,000) is small compared with the DM 600,000 (£140,000) invested by Dr Hesselbach.

His misfortune is that these investments first came to light in the wake of the sacking of the Neue Heimat executives, who themselves have been involved in questionable property transactions between Neue Heimat and companies in which they held secret interests.

The supporters of Herr Pfeiffer, who include Herr Loderer and Herr Vetter, found themselves unable to find a convincing majority for his candidacy, and felt themselves forced to take on the nomination of Herr Breit to paper over the growing cracks appearing in the labour movement. The fact that Herr Breit himself is a member of the Neue Heimat supervisory board—as are Herr Vetter and Herr Loderer—appears to have been conveniently overlooked, even though the failure of the supervisory board to do its job properly is at least as open to criticism as taking advantage of tax privileges.

The head of the DGB is an influential spokesman for organised labour, although on many issues he has less direct impact than the leaders of the biggest individual unions. It remains to be seen whether Herr Breit has the power of personality to remove the sour taste left by Herr Pfeiffer's withdrawal.

Herr Breit, who has spent his entire working life with the Post Office, has much more the image of a civil servant and clearly does not come from the blue collar section which forms the basis of the 7.9m-strong union movement. In this respect he would appear to fit more naturally into the Kluncker camp.

The son of a skilled machine tool maker from Schleswig Holstein, he became chairman of the 450,000-member postal workers union in 1971. With little more than an elementary education he rose to become a senior postal inspector and chairman of the Post Office's central workers' council, a job he held before taking over as head of the union.

A man from the centre of the union movement, a careful speaker with a sober, dry personality, Herr Breit achieved national prominence when he led a national strike by postal workers shortly before Christmas 1980 in support of improved shift working conditions. He has also championed the issue of the 35-hour week since the early 1970s, though with little success.

West German iron and steel employers reached agreement with the IG Metall trade union early yesterday on a 4.2 per cent pay rise for the industry's 200,000 workers in North Rhine-Westphalia and Bremen, Reuter reports from Krefeld.

The agreement is backdated to February 1 and will run for 14 months, with a further pay rise of about 4.8 per cent foreseen for the last two months of the period. The rise, in line with a 4.2 per cent pay rise already won by some 3.7m workers in the engineering industry, is also expected to apply to the 65,000 iron and steel workers employed elsewhere in the country, union officials said.

Austria's jobs record at risk, says OECD

By David White in Paris

AUSTRIA'S record of high employment and its coveted "social consensus" may be threatened unless industry becomes more productive, efficient and competitive, the Organisation for Economic Co-operation and Development warns in a report published yesterday.

In its annual review of the Austrian economy, the 24-nation organisation says it is "essential" for the country to make up its loss of competitiveness with West Germany, which supplies more than 40 per cent of Austria's imports and takes more than 30 per cent of its exports.

At the same time, the OECD warns that the consensus with labour, which has helped the country to achieve one of the area's lowest inflation rates, may be made difficult by increasing unemployment.

The resumption of economic growth—with gross domestic product expected by the OECD to rise by 1.8 per cent this year after stagnating in 1981—will not be enough to prevent unemployment from climbing into the first half of 1983, the organisation says. The jobless rate, after rising to 2.4 per cent of the workforce last year, is seen reaching 3 per cent by early next year.

Inflation, after rising last year, is expected to fall over the next 18 months, with this year's rate forecast at 6 per cent compared with 6.7 per cent last year.

The OECD's forecasts show the trade deficit, which narrowed slightly to Sch 75bn (£2.5bn) last year, rising to Sch 79bn as the economic recovery attracts more imports.

Portuguese uproar

The Portuguese Communist party has withdrawn a censure motion against the Government after uproar in the 250-member assembly, writes Diana Smith in Lisbon. Sr Francisco Balsemao, the Prime Minister, declined to appear, sending Sr Goncalo Ribeiro, the Deputy Premier, to replace him.

Reports of compromise on EEC budget refuted by Mitterrand

BY OUR PARIS CORRESPONDENT

FRANCE YESTERDAY made clear its continued readiness for tough bargaining over the reduction of Britain's net contribution to the European Community budget.

President Francois Mitterrand was quoted by the official government spokesman as telling the cabinet that France did not subscribe to the proposals put forward by Mr Leo Tindemans, the Belgian Foreign Minister and president of the EEC Council, and M Gaston Thorn, the European Commission president, at Tuesday's EEC Foreign Ministers meeting. The proposals were an attempt to strike a compromise over the dispute which principally has involved clashes between Britain and France.

The French view is that the outline settlement is no more than a working paper to be taken up again on November 3. This negotiating session would follow the meeting of agricultural ministers who are to attempt next week to reach agreement on increases in farm prices. The two inter-linked issues give France and Britain a bargaining hold over each other.

France's opinion of the Tindemans Thorn proposal is no diffrent from that of other EEC members, but some reports in the French Press have suggested that the Government has already accepted a compromise. President Mitterrand's statement yesterday was intended to refute this.

John Wyles adds from Brussels: Greece's membership of the EEC is either making its economic problems worse or the solutions to them more difficult, according to the document submitted by Athens this week in support of demands for special treatment by its Community partners.

This point is expected to be emphasised by Mr Andreas Papandreou, the Greek Socialist Prime Minister, at the EEC summit here on Monday and Tuesday.

As the document makes clear, the Greeks believe that the present Community is a comfortable club for northern European countries which has barely begun to adapt its policies and structures to the needs of very much poorer, agriculturally-dominated Mediterranean member states.

This is not a point other member governments will want to conceda fully, not least because it could bring an avalanche of demands for equally special treatment from Spain and Portugal if they manage to join the Community in about three years' time.

However, the summit is expected to call on the European Commission for a report and recommendations on the Greek document. The initial reaction of Commission officials, meanwhile, is that Greek ambitions are rather more modest than might have been expected and that Mr Papandreou does not seem to be trying to engineer withdrawal from the EEC.

As far as its general needs are concerned, the Papandreou Government says that its five-year development plan coming into force next January will need:

● A new EEC fund for Mediterranean regions together with increased loans and grants from existing Community instruments

● "A sufficiently long period" of exemptions from competition rules to permit development incentives, "provisional" and regulated protections" of newly-created industries, export aids and exemption from EEC production limitations.

● Community finance to provide income aids for Greek farmers since proposed 9 per cent increases in EEC farm prices "will be useless" because of the more than 20 per cent rate of inflation in Greece.

Left's hand weakened by Dutch poll results

By Charles Batchelor in Amsterdam

THE swing away from left-wing parties in the Dutch provincial elections on Wednesday will strengthen the hand of the Christian Democrats in the country's three-party coalition. They share power with Labour and Democrats 66, both of which left-wing parties saw their support fall.

Although such elections only affect the composition of the Upper House of Parliament, they are nevertheless an important indicator of voters' feelings.

Most significantly, they show that if the result were translated into Lower House seats, the Christian Democrats and the Liberals could again form a centre-right Government with a majority of 11 seats.

Less than a year after the general election which brought the two left-wing parties back into government, Labour saw its support drop from 22 per cent to 28 per cent and Democrats 66 from 11 per cent to 8 per cent.

The Christian Democrats increased their share from 31 per cent to 33 per cent while the Liberals, the main opposition, made sweeping gains, increasing their vote from 17 per cent to just over 22 per cent.

The Liberal Party's success puts it marginally ahead of Labour in terms of popular support for the first time and will inevitably increase strains within the cabinet.

Mr Dries van Agt, the Prime Minister and Christian Democratic Party leader, warned before the elections that the four-months-old centre-left Government must end its internal wrangling or make way for an administration of "national appeal."

Mr van Agt has made no secret of his preference to resume the coalition with the Liberals which was in power in 1977-81. Both his personal style and his party's policies are more closely attuned to the Liberals than to the left-wing parties.

The present Government, formed in November after five and a half months of bitter wrangling has a comfortable 109 seats in the 150-seat lower house. Differences of opinion between the three parties have delayed effective decision-making on the Netherlands pressing economic problems.

What restrains Mr van Agt from provoking a crisis and calling a general election is the electorate's weariness with the political process. Local elections are due in two months time.

The Christian Democrats and tha Liberals could probably agree speedily on a government programme, but, on past performance, forming a cabinet could involve months of discussion. Anything other than a clear-cut victory for the two parties could lead to another lengthy stalemate.

The crushing defeat of the Left, described by Mr Joop den Uyl, the Labour Party leader as "a severe blow to Labour and to all progressive forces in the Netherlands," reflects the party's problems governing during a period of retrenchment. Mr Den Uyl, as Social Affairs Minister, has been responsible for most of the unpopular measures which the Government has considered.

A plan to reduce sickness benefits has been opposed by the unions and watered down. A much heralded job creation scheme, announced by Mr Den Uyl soon after he took office, will only make a modest contribution to employment and has been received with scepticism.

Doubts surround Belgian protest

BY GILES MERRITT IN BRUSSELS

THE BELGIAN Government this morning faces the prospect of 48-hours of mass protest against its economic austerity measures by the country's two largest unions which could either seriously weaken its political grip or confirm its credihility as a widely-supported "crisis manager."

Growing doubts inside Belgium as to the outcome of the two days of strike action and mass demonstration scheduled by the Socialist FGTB and Christian CSC unions have been sharpened by yesterday's cancellation of a national rail strike and the decision by the Cockerill-Sambre steelworkers in Charlerio to end in "indefinite" strike that began a month ago.

Those indications of a return to moderation by the unions suggest at first sight that Mr Wilfried Marten's coalition Government will not be threatened seriously by the general strike called today by the FGTB or the mass march on Brussels of 100,000 people being organised by the CSC for tomorrow.

It seems certain that the Government's appointment of veteran industrialist Mr Michel Vandestrick to head Cockerill-Sambre, and moves that lay heavy political emphasis on job creation have helped calm the crisis. But it remains unclear whether the atmosphere of mounting social unrest has been effectively eased.

For there are also signs that the Charlerol steelworkers' return to work, and the railwaymen's decision to shelve yesterday's planned strike in favour of a government compromise plan mitigating closures, may be disguising a growing militancy.

This week has already seen a 10,000-strong demonstration by unionists and the nnemployed in the southern city of Mons. And with the Liege steelworkers still on strike, Belgian observers are reporting "day by day worsening of the social fever" in key areas of French-speaking Wallonia.

Dozier's kidnappers jailed

BY RUPERT CORNWELL IN ROME

A VERONA court yesterday handed down severe sentences for the 17 Red Brigades terrorists who kidnapped U.S. General James Dozier. Sig Antonio Savasta, the group's leader and best-known "repentant" terrorist, received 16½ year's jail, compared with the 14 years sought by the prosecutor. Slightly shorter sentences were given to the other five who co-operated with police.

Much tougher punishment of up to 27 years was meted out to the two captured terrorists who refusad to help the police. Six terrorists still on the run were all sentenced in their absence to 26 years.

Robert Graham in Madrid reports on growing fears of a political verdict

Coup trial confirms split in Spanish society

FROM A constitutional point of view, the worst development that could be envisaged for the trial of those involved in last year's abortive coup in Spain is now being acted out in Madrid.

After 23 court sessions, little light has been shed on events which led up to the seizure of the Cortes and the placing of the Valencia military region under martial law on February 23 last year. Instead, the conflicting and garbled testimony of the accused has merely created doubt.

The King's name has been brought in almost every day, with the Crown being accused—without any firm evidence—of aither knowing or endorsing a change in the constitutional order.

The behaviour of the accused and reports from the military as a whole indicate that the trial is helping to sustain the divide between the armed forces and civilian society.

Finally, Basque terrorism has returned this week with a brutal triple killing—an action deliberately designed to antagonise the army. All this makes it less likely that the military judges will hand out stiff sentences.

The trial, which began over a month ago, on February 19, has been proceeding about as quickly as it can with two sessions in the morning and ona in the afternoon, five days a week. All the important figures have now passed through the witness stand and, next week could see the first of the Prosecution's 69 witnesses. The trial will last at least another month.

The Government's aim has been to let military justice run its course while earnestly hoping that stiff sentences will be handed out to those responsible for trying to overturn democracy. There is a fundamental contradiction between this hope, however, and a weak investigation into the attempted coup.

The longer the court martial lasts, the more it becomes obvious that the investigation into the coup was weak and partial—and probably deliberately so. This is enabling various of the accused to cast doubt and wriggle into loopholes making it very hard for stiff sentences to stick.

Journalists covering the trial are bemused by the harmless, benevolent and patriotic interpretations tha accused give to actions which led the country close to the brink of civil strife. This was epitomised by the explanation of Colonel Manchada, of the Guardia Civil and in charge of the vehicles used by those seizing Parliament. It was his deference for traffic lights, ha said, that caused his delay in obeying orders from the head of the Guardia Civil.

Both the prosecution and the general in charge of the Tribunal have been soft with the accused. Often much hearsay evidence has been permitted. This was the way the King's name was brought in, without challenge.

There have been only limited efforts to clean up the contradictions either in individual evidence or of conflicting versions of events. General Alfonso Armada, for whom the court is seeking a conviction of 30 years for rebellion, has contradicted the evidence of 10 different people, denying he had any part in the coup. He has produced alibis of meetings with family and friends to show he did not attend a crucial meeting of the plotters with Colonel Antonin Tejero, of the Guardia Civil, who seized Parliament. None of these alibis have been probed in court.

> The Government's aim in bringing the alleged conspirators to trial was to let military justice take its course, in the belief that stiff sentences would be handed out. The trial has now gone on so long, however, and so many legal loopholes have been discovered that it is now thought possible the court will prove lenient.

The Court was rather more aggressive this week in its treatment of Major Jose Luis Cortina, a senior member of Military Intelligence, a former military classmate of the King and the alleged link man between General Armada and Colonel Tejero. He has denied meeting Colonel Tejero or any knowledge of the coup, even though one of his intelligence subordinates went to help seize Parliament and his brother owned an office which was used for a meeting of the plotters.

Breaking Colonel Cortina's evidence also means demolishing General Armada's defence. The cross-examination managed only to ruffle Colonel Cortina but did not shake his story. When asked, for instance, about the coincidence of a special intelligence communications car near Parliament when it was seized, Colonel Cortina replied that it was following a taxi "on a mission."

The Court appeared to accept this and the statement that nothing more could be revealed because of state secrecy. State secrecy is being used to aid the accused because no sessions are being held in camera. Yet there is a limit to what can be said about the activity of the intelligence services in open court.

For example, the most intriguing comment on Colonel Cortina's role was put by Colonel Tejero's lawyer. He suggested that Colonel Cortina was a double agent, acting for the plotters and for the Government, and was standing trial as he had been "burned." How much the intelligence services knew of what was going on has not come out, but Colonel Tejero has been under surveillance since he was found guilty of trying to seize the Cabinet in a plot of November 1978—a plot which Colonel Cortina helped break.

Last week the Government and the major political parties sounded a note of alarm about the way the trial was proceeding, esecially over the gentle treatment of the accused and the unjustified implication of the King's name. Coming at this late stage, however, such concern risks looking like impotence or interference and will do little to curb the groundswell of opinion within the armed forces that light sentences would be appreciated.

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OVERSEAS NEWS

IMF may delay Zambian loan tranche

BY MICHAEL HOLMAN IN LUSAKA

THE three-year International Monetary Fund (IMF) SDR 800m (£480m) programme in Zambia, the third largest in Africa, is in difficulties, according to local bankers and economists, which are likely to delay the third tranche due in May.

Zambia is experiencing acute foreign exchange problems which make the programme critical to the economy.

Under the agreement, signed last May, Zambia has drawn two tranches of SDR 120m and SDR 180m. The latter tranche was held up, however, by the Government's failure to keep within domestic credit ceilings and to bring down arrears in external payments to agreed targets.

But late last year, the IMF Board granted a waiver and the drawing took place in December. But the same problems, say economists, have resurfaced.

Speaking on the January budget, Mr Kebby Musokotwane, the Minister of Finance, anticipated drawing a further tranche this May (SDR 300 is due in 1982).

But at the same time he warned: "Any breach of the ceilings governing the amount of credit extended to both the Government and private sectors by the banking system will lead to a cancellation of the facility."

A May tranche is now regarded as highly unlikely, and an IMF team is due in Lusaka shortly for their second visit this year.

Arrears in payments for imports stood at Kwachas 420m (£254m) at the end of last year, with delays in payments stretching back some two years. One local economist estimated that arrears have since climbed to more than Kwachas 450m.

Any delay in the IMF tranche will exacerbate an already difficult foreign exchange position. Copper and cobalt account for 95 per cent of export receipts. But world prices are low for both minerals, and receipts have been further squeezed by transport problems.

Some 100,000 tons of copper (1981 production totalled 564,000 tons) are held up between the mines and the Tanzanian port of Dar-es-Salaam because of problems, including inadequate locomotive capacity on the Tanzania-Zambia Railway.

Vietnamese Old Guard consider transfer of power

BY ALAIN CASS, ASIA EDITOR

THE MOST durable gerontocracy in the Communist world—Vietnam's Politburo—may be making its final appearance in its present form this weekend.

Ideological cracks papered over, bargains already struck, the carefully stage-managed fifth congress of the Vietnamese Communist Party finally gets under way after months of debate about the country's future.

The Politburo's top 12, together for more than 30 years and with an average age of well over 70, may choose this set-piece occasion to make key changes.

Three decades of war, economic sacrifice and hardship have left ugly scars on this South-East Asian country. The leadership is now faced with an economy bumping along at rock bottom, sinking morale and widespread corruption.

The 17-day border war with China in 1978 damaged strategic economic targets which have yet to be fully repaired.

More than seven years after the fall of Saigon, repeated attempts have failed to integrate South Vietnam with the ideologically obedient North. The pervasive sense of crisis, clearly manifest in Vietnamese broadcasts and official pronouncements, is underscored by the effect of maintaining 200,000 troops in Kampuchea and fighting a relentless war of attrition.

Vietnam also appears increasingly uncomfortable with its growing dependence on the Soviet Union.

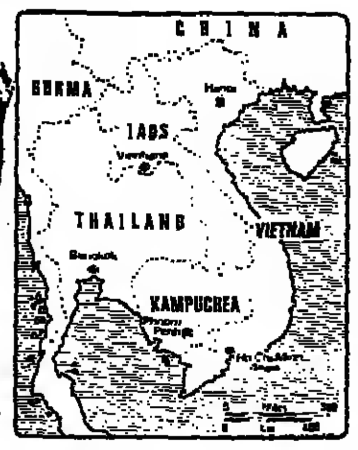
Moscow's $6m a day to bankroll the war in Kampuchea is now vital to Vietnam's economic survival. The use of naval facilities at Cam Ranh Bay and Da Nang—where U.S. marines first landed in 1965—gives the Russians' Indian Ocean and Pacific fleets unrivalled freedom, and they keep pressing for more.

The two most likely candidates to step aside—if not at the Congress itself then shortly after—are Pham Van Dong, the country's Prime Minister for 29 years, and Le Duan, 75-year-old Secretary-General of the Party. Both are said to be ailing and, like China's Deng Xiaoping, wish to withdraw "to the second line."

Le Duan, who has mapped Vietnam's strategy since unification with the South in 1976, has come under fire for the country's economic decline.

Premier Dong, described by Dr Henry Kissinger, the former U.S. Secretary of State, as "wiry, short, his piercing eyes watchful for the expected trickery," is reported to have wanted to step aside last year.

Le Duan may be given the revived post of Party Chairman, a position left vacant since Ho Chi Minh died in 1969. He may then be replaced in the top job by Le Duc Tho, veteran of the 1971-73 Paris peace talks, where he earned Dr Kissinger's grudging admiration as a "dour and dedicated revolutionary" who "never once lost his poise" in four years of secret talks to end America's involvement in the war. His chief rival for the job is To Hou, 61, first deputy Prime Minister.



CHRONOLOGY

1945 Democratic Republic of Vietnam founded
1954 French defeated at Dien Bien Phu
1954 Geneva Agreement gives the DRVN, under Ho Chi Minh's leadership, territory north of of the 17th parallel
1959 Rebellion breaks out in South Vietnam
1965 U.S. marines land at Da Nang
1973 Paris Peace Agreement
1976 Socialist Republic of Vietnam emerges, incorporating South Vietnam
1978 Vietnam invades Kampuchea and deposes Pol Pot
1979 China and Vietnam fight 17-day border war

The past three years have witnessed a fundamental review of economic policy less dramatic but no less far-reaching than China's about-face after Mao's death.

This has led to radical changes aimed at boosting production. These include cash incentives to Vietnam's largely peasant population, free market principles, greater emphasis on consumer goods at the expense of heavy industry and—most radical of all—what is known as the "contract farming system."

This last has allowed peasants within the collective system to sell directly to the state, or on the open market, all produce in excess of their quotas, bypassing the previously all-powerful local party officials.

At the same time, there has been a sweeping review of Party membership, with, according to Vietnamese official figures, 300,000 being purged. This long and painful process has been paralleled with a reform of the country's constitution.

This quiet revolution has not gone unopposed. Criticism, believed to have been led by Truong Chinh, Vietnam's de facto head of state and leading ideologist, has been vocal.

The debate now appears to be over, and the Congress is expected to endorse the new policies, which are likely also to be reflected in the long-delayed 1981-86 Five Year Plan.

These internal changes are likely to be coupled to an attempt by Vietnam to break out of the isolation caused partly by American and Chinese determination to "bleed Vietnam white."

The Five Year Plan is expected to call for an increase to $1bn in two-way trade with non-Socialist countries. Officials are keen to encourage more western participation, such as Fiat's involvement in heavy machinery and the British export-credit backed installation of three diesel-gas turbines at Haiphong's power plant.

In the past few weeks, Vietnamese banking officials have been in Japan negotiating the rescheduling of $200m of loans and trade credits. A similar effort to reschedule the overdue repayment of SDR 21m is likely to be made.

The next five years are likely to be an uphill struggle. The aim of self-sufficiency in food remains unfulfilled. Food imports have jumped from 643,000 tons of paddy — equivalent in 1976 to 924,000 tons in 1980. Successive typhoons, droughts and pestilence have hit agriculture badly. In 1980, and early in 1981, food riots occurred in the North.

Last year saw a record crop of 15m tons, thanks to better weather and the effects of the contract system, but this still fell 2m tons short of the target.

Virtually every other sector in the previous plan also missed its target. Per capita gross national product, among the lowest in the world at $150, actually fell in real terms in the five years between 1976 and 1980. The current account remains in chronic deficit.

But there is a faint glimmer of hope at the end of this long, dark tunnel thanks mainly to a more realistic set of economic policies and the abandonment of the "great leap forward" mentality.

Next week's congress is likely to prove crucial in determining the success or failure of these policies.

South Africa's borrowings 'will have to be curbed'

BY BERNARD SIMON IN CAPE TOWN

SENIOR South African Government officials warned that the country's foreign borrowings would have to be restrained because of the rapid increase in indebtedness over the past 15 months.

Dr Chris Stals, senior deputy governor of the South African Reserve Bank, disclosed that the Reserve Bank's foreign borrowing had soared from nil at the beginning of 1981 to R3.5bn (£1.9bn) in the first quarter of 1982. Offshore loans raised by the private sector totalled another R1bn (£540m).

Speaking at a seminar on the South African budget, Dr Stals said South Africa's capacity for further borrowing from international banks was limited. "They are looking to their exposure on South Africa," he said, noting that margins on foreign loans had already begun to rise.

The loans have been needed to finance a record current account deficit on the balance of payments.

Dr Joep de Loor, Director-General of Finance, told the seminar that the IMF "very definitely influenced the budget in strengthening the way of thinking and the approach which we had."

Red Cross told to quit Uganda

THE UGANDA Government yesterday asked the resident International Red Cross mission, which has been in Uganda since the overthrow of Idi Amin in 1979, to leave the country, Michael Holman reports from Lusaka.

A government official said the Red Cross role was now unnecessary. An IRC official said that they would be leaving Uganda against their will.

Arms cache found

Security forces hunting for secret arms hoards in Zimbabwe's Matabeleland province have made another major find, police said yesterday, Reuter reports from Salisbury.

A large cache, including anti-aircraft guns, mortars, mines, several hundred rifles and thousands of shells, rockets and bullets, has been uncovered.

Former leaders held in Bangladesh

By Sayed Kamaluddin in Dacca

MARTIAL Law authorities in Bangladesh began arresting former cabinet ministers yesterday, following the military coup early on Wednesday morning.

The new leadership, which has justified its takeover by charging the Government of former President Abdus Sattar with corruption, also warned yesterday that former president and ministers could face the death penalty for some crimes under the new martial law regulations.

Former ministers including former Finance Minister Saifur Rahman, and the former State Minister for Commerce, Mr Tanvir Ahmed Siddiky and a number of politicians belonging to Mr Sattar's Bangladesh Nationalist Party (BNP) were arrested.

Japan cracks down on tax avoidance

BY RICHARD C. HANSON IN TOKYO

THE JAPANESE Finance Ministry has cracked down on what is considered an attempt to avoid taxes under the controversial new tax system it is preparing to implement in 1984.

Much to the chagrin of the securities industry here and in the U.S. and Europe, the Ministry used it considerable informal powers to halt sales of so-called Zero Coupon discount Eurobonds, whose popularity among Japanese investors had soared in recent months.

Zero Coupons, under rules which the Ministry is now changing, appeared to offer a tax haven for Japan, which in principle does not tax capital gains realised by individuals.

After a $780m (£400m) rush into zero coupons in February alone, the Ministry drew up a plan to bring the bonds safely into line as far as taxes are concerned.

Those who promoted the bonds as a tax avoidance scheme have been duly rapped on the knuckles.

The zero coupon problem, however, is just the latest example of the storms which have brewed since the authorities first proposed a sweeping change in how Japan taxes its citizens.

Under the new law passed in 1980, Japan is to adopt a policy of taxing both interest and employment income on a comprehensive basis, the way that income tax is treated in the U.S. and most of Europe.

Under the old law, rich individuals with considerable interest income could have opted for a separate 35 per cent maximum tax rate. This new system should generate an additional Y20bn a year in tax revenues. But it carries with it a controversial new requirement that all tax-exempt savings accounts must be registered on a so-called "green card."

The colour and the exact size of the card—for use with a computerised national identification network—are yet to be decided on. The word "green card" has been adopted because the word "green" has positive connotations in Japanese.

There is a strict rule limiting tax exemptions on bank savings accounts to Y3m. An additional Y3m in tax exempt savings can be deposited in the huge postal savings system, along with a Y3m exemption on government bonds.

The "Green Card" helped encourage at least three major shifts in domestic capital, including into zero coupons.

The first was into Postal Savings accounts two years ago, since it is much easier at the moment to open tax exempt accounts with the Post Office than a commercial bank. The lion's share of new deposits ended up with the Post Office which upset banks.

The second major development, which can be at least partly traced to publicity over the "Green Card" was gold. Last year, as the price of gold came down, individual Japanese investors became the most voracious gold bugs in the world. Hoarding about Y250bn worth.

AMERICAN NEWS

Democrats in talks on budget compromise

BY ANATOLE KALETSKY IN WASHINGTON

PRESIDENT RONALD REAGAN has instructed Mr James Baker, the White House Chief of Staff, to meet Congressional leaders from the Democratic Party to try to establish some common ground for a compromise on the 1983 budget.

White House officials say that Mr Baker's willingness to seek the views of the Democrats in private indicates a significant softening of President Reagan's previously uncompromising attitude.

In public, the President and his advisers still rule out any significant concessions on the military build-up and the tax reduction plan. These are seen as cornerstones of President Reagan's political programme.

However, it is understood that Mr Baker's purpose in meeting Mr Tip O'Neill, the Speaker of the House of Representatives, Mr Dan Rostenkowski, chairman of the House Ways and Means Committee, and Mr James Jones, chairman of the House Budget Committee, all of whom have been outspoken critics of the President's tax and military spending plans, will be to establish privately how much backtracking the President will have to do in order to secure a congressional compromise on the budget.

The urgency for an agreement is growing. The deadlock in Congress over the budget is causing intense anxiety in financial markets and, in the view of many observers, contributing to the continuation of high interest rates and the recession. At the same time, the recession is aggravating the budget deficit problem.

Mr Donald Regan, the Treasury Secretary, conceded this week that the $91.5bn (£50.8bn) deficit estimated in the 1983 budget, which was presented to Congress six weeks ago, is almost certainly too low because of the effects of recession.

Since the Administration has already said the deficit will be $4.9bn higher, owing to a miscalculation of the cost of agricultural subsidies, Mr Regan's admission implies that the official deficit forecast—due to be revised next month—will almost certainly be well over $100bn.

Chile to close 'at least 4 financial institutions'

BY MARY HELEN SPOONER IN SANTIAGO

CHILEAN banking officials will close at least four of the eight banks and finance companies in which the Government intervened last November, Sig Sergio de la Cuadra, central bank president, has announced.

The institutions affected are the Banco de Linares and three finance companies—the Financiera Cash, the Compania General Financiera and the Financiera de Capitales. Gen Augusto Pinochet's military Government seized administrative control of the financial institutions on November 2, alleging violations of a banking code passed a few months earlier.

Chilean authorities also arrested two directors of one of the banks and prohibited the directors of the other banks and finance companies from leaving the country while the investigation was under way.

Sr de la Cuadra indicated that another bank in which the Government intervened last November, the Banco de Talca, would be sold, but that the fate of two other financial institutions, the Banco de fomento de Valparaiso and the Financiera del Sur, was still under study.

Recently Spain's Banco de Santander purchased the Banco Espanol-Chile, the eighth bank affected, whose directors remain in prison.

The Government's administrative seizure of the banks and finance companies marked an abrupt departure from its *laissez-faire* economic policies and prompted some speculation that other policy changes were imminent.

VW to pay $25m in import suit

By Richard Lambert in New York

VOLKSWAGEN of America has agreed to pay $25m (£138m) to the U.S. Government to settle a law suit alleging violations of customs laws.

The legal action concerned 1.8m vehicles imported from the parent company in West Germany between 1971 and 1974, valued at some $6bn. Total duty paid on the cars was $143m.

The charges related to declarations made by VW concerning the costs of producing the cars in West Germany. The amount of duty payable is derived from these costs.

VW denied all the allegations, and said that it had received approval for the methods of valuation, which were said to be erroneous.

But it had decided to settle the case in order to avoid extra expense and prolonged litigation. The settlement consists of $5m of lost duties, $5m of interest on those duties, and $15m penalty.

The sum will be payable over a four-year period. In addition, the company has agreed to inform the Customs Service in writing of any changes in its method of calculating duties on VW imports up to 1990.

Describing the settlement as "most significant," a U.S. Treasury official said that it should put the importing community on clear notice of the strong commitment by the U.S. to vigorous enforcement of the customs laws.

Reagan praises Italian support

By Our Washington Correspondent

PRESIDENT Ronald Reagan yesterday welcomed Sig Sandro Pertini, the President of Italy, to the White House, telling him that Italy is an "indispensable partner" in Nato.

President Reagan praised the Italian Government's willingness to accept nuclear missiles.

Sr Pertini, who is on a nine-day visit to the U.S., will be holding talks with President Reagan and other Administration officials aimed largely at reassuring the U.S. that it retains the support of its European allies.

Italy has been one of the strongest backers of U.S. policy on Afghanistan and Poland.

Hugh O'Shaughnessy, in San Salvador, previews Sunday's poll

El Salvador expects the worst

WITH THE END of the formal campaign before Sunday's election of a 60-seat constituent assembly, the hard-pressed voters in El Salvador are being given a three-day breathing space. In the weeks up to Wednesday night the two major parties contesting the poll have been screaming at each other in a public barrage of calumnies, libels and slanders, on radio and television, in the newspapers, on posters and pamphlets and by any other means they could set their hands to.

The Christian Democratic Party, led by President José Duarte, has been attacking its main rival, the extreme right-wing Nationalist Republican Alliance (Arena) as a bloodthirsty gang of assassins who would put back the political clock in El Salvador several centuries. Using the administrative advantages that presidency gives it, the Christian Democratic Party has been putting its electoral material in every public place in can find, and has even been painting the lampposts green—its party colour.

Arena, led by Major Roberto d'Aubuisson, has been giving back as good as it gets. In a vigorous and extremely well financed campaign, it has been using the media and giving away flags, banners and sunhats in its red, white and blue colours in a bid to halt the Christian Democrats. Major d'Aubuisson's party alleges that a victory for Sr Duarte and the Christian Democrats would open the door to a Communist takeover, and has been portraying the Salvadorian President as a sort of Central American Kerensky, eager to open the door to Leninist rule.

In addition, Arena has been accusing President Duarte's Christian Democrats of plotting an electoral fraud. It alleges that, lusting for power, the Christian Democrats want to continue enjoying the alleged ill-gotten gains they have piled up in the two years they have been in office.

Major d'Aubuisson's message has been ecstatically received by many in the capital. Arena, after all, represents and reflects all the fears of a changing society and all the resentment against the Christian Democrat's sponsored reforms being experienced by the powerful and well organised Salvadorian middle class. As a result, Arena, it is felt, may well equal, or indeed overtake, the Christian Democrats' vote on Sunday.

The Salvadorean left-wing insurgents were yesterday making a determined effort to bring the war against the Government of President José Napoleon Duarte into the capital, writes our Latin America correspondent, in San Salvador.

The city remained tense as the campaign for Sunday's elections formally ended.

Sporadic fighting continued yesterday between government forces and the insurgents. The encounters, which started late on Wednesday, followed a long battle in the poorer areas of the city.

The remaining question is what proportion of the population will actually go to the polling stations.

Meanwhile, pessimism about the crippled economy is becoming intense. The country's currency, the Colon, whose official parity is 2.5 to the U.S. dollar, is being widely traded here at four to the dollar. This year's cotton crop is down by more than half on the 1977-78 crop and new plantings are likely to be meager. The cotton crisis has thrown an estimated 75,000 seasonal workers into the already substantial ranks of the unemployed. The situation with coffee, El Salvador's other main export commodity, is hardly more encouraging. The International Red Cross has reported it is looking after 30,000 refugees in two of the hardest hit of El Salvador's 14 departments.

Few people have anything much to look forward to in this country this weekend.

The FMLN guerrilla Left and its civilian political associates, the Revolutionary Democratic Front (FDR) are boycotting Sunday's poll. They say, not unreasonably, that there can be no guarantees that left-wing candidates would be able physically to survive in the climate of war which has already claimed 30,000 lives in the past two years. The Left adds that electoral fraud is an established and unshakable tradition in El Salvador. The FMLN and the FDR have therefore been calling on their supporters to abstain on Sunday and have been carrying out sporadic acts of disruption.

President Jose Duarte: barrage of propaganda

They have ridiculed a poll in which there is no electoral register and which is being held under a state of seige.

President Duarte and his backers in the U.S. Administration are hoping against hope this weekend that the Left's message will not be heeded. The signs are, however, that the turnout will be low. Observers estimate that, out of a total population of 4.5m, only between 500,000 and 900,000 may go to the polling booths.

Mexico fears flood of refugees

By William Chislett in Mexico City

MEXICO FEARS that the civil war in neighbouring Guatemala will become bloodier as a result of the coup and that the increased violence will intensify the exodus of peasants into the Chiapas region.

Two thousand Guatemalan peasants a week are estimated to be fleeing over the border to Chiapas, a poor and vulnerable region where unemployment is high and Mexico's own peasantry live in miserable conditions.

Mexico is refusing to set up refugee camps in Chiapas because it fears that they could become bases for the Guatemalan guerrillas and could draw Mexico into the conflict. Refugees are being returned to Guatemala.

For some time Mexico has been preparing itself for escalation of violence in Guatemala. The army is working on a plan to establish a 4,000-man rapid deployment force for possible use in areas like Chiapas.

However, the force is poorly equipped and would have to rely on commandeering trucks belonging to public sector companies.

Mexico is probably the most poorly defended nation in Latin America. The combined strength of its armed forces is 120,000.

Talks in U.S. likely to focus on Guatemala

BY OUR WASHINGTON CORRESPONDENT

THE COUP in Guatemala on Tuesday was expected to dominate discussions in Washington yesterday between President Ronald Reagan and the foreign ministers of Honduras, Costa Rica and El Salvador.

These three nations, which were encouraged to form a "Central American democratic community" in January mainly to show support for the U.S. policy in El Salvador, will be closely consulted by the U.S. as it develops a new attitude towards the military junta which has seized power in Guatemala.

The El Salvador crisis has made the U.S. intensely conscious of the need for public support from the democratic countries in Latin America. The State Department will seek to ensure a consensus towards Guatemala as far as possible.

The Mexican peace initiative on El Salvador, which is expected to lead to private negotiations between U.S. officials and Cuba and Nicaragua in the near future, has underlined to U.S. policy-makers the impact that other Latin American countries can have on domestic public opinion.

Sr Daniel Ortega the leader of the Nicaraguan Junta told the UN Security Council yesterday that the Sandinist government was ready to open direct and immediate talks with the U.S. to settle differences, Associated Press reports from New York.

Sr Ortega added that he was authorised by the government of Sr Fidel Castro to say that Cuba also was ready to begin negotiations with President Ronald Reagan's administration.

An interview with the Venezuelan President Luis Herrera Campins, published in Washington this week, has come as a serious blow to the State Department's official policy on El Salvador.

President Herrera Campins, who had previously been a clear supporter of the U.S. policy in El Salvador, said that after the elections there on Sunday, the Venezuelan Government would re-evaluate its policy. He implied that he would back the call for negotiations between the Government and guerrillas that has been made by Mexico.

The prospects for negotiations in El Salvador are becoming stronger almost daily. Mr Dean Hinton, the U.S. ambassador in San Salvador, suggested this week to journalists that negotiations of some kind involving guerrilla leaders were almost inevitable.

● Cautious support has been expressed in Guatemala City for the coup in which army officers ousted the President, General Romeo Lucas Garcia, and President-elect, General Angel Anibal Guevara, after accusations of fraud in the presidential elections of March 7.

Mexican unions threaten strikes

MEXICO'S trade unions will call strikes next week if the private sector still refuses to pay an extra wage increase.

The increase was recommended by the Government to compensate workers for the inflationary impact of last month's floating of the peso, which has resulted in an effective 40 per cent devaluation of the currency against the dollar.

The Government has recommended that wages should be increased by between 10 per cent and 30 per cent, depending on the amount earned.

The private sector, however, says it cannot meet such an increase unless price controls are relaxed, and that to do so would put some companies out of business. Businessmen point out that the pay increase is not obligatory.

The devaluation is expected to push up the rate of inflation from 30 per cent to 50 per cent this year.

WORLD TRADE NEWS

Airbus Industrie close to $420m Brazilian order

BY ANDREW WHITLEY IN SAO PAULO

AIRBUS INDUSTRIE is close to winning a major order from Brazil's second airline, VASP, worth an initial $420m (£221m) against strong competition from Boeing of the U.S.

A decision is likely to be taken within the next week on the rival offers, which pitch six A-310 wide-bodied aircraft and an unspecified number of the future A-320 model against a Boeing package comprising an identical number of 757s and nine of the smaller, new generation 737-300s.

The total value of the contract could eventually be $800m.

Domestic air traffic has been growing fast in Brazil, with VASP and Transbrasil, the smallest of the three major airlines, predicting growth in passenger miles of between 12 per cent and 15 per cent this year.

Struggling

Transbrasil, which has been struggling financially, is considering replacing its entire fleet of 17 Boeing 727-200s with the fuel-efficient 757-200 and 767-200. With 12 of the new model aircraft Transbrasil estimates it could save $685m in fuel costs over the next 15 years.

British industry stands to benefit whichever way the VASP decision goes. On one hand, British Aerospace has a 22 per cent stake in the Airbus while on the other, Rolls-Royce RB-211 engines are fitted in the Boeing 757s presently on offer.

While VASP appears likely to make its choice primarily on technical grounds, the state government of Sao Paulo, which owns the airline, and the federal government also have to have their say on the financial implications of the purchase, such as the loan guarantees required and the impact on the national balance of payments.

In 1981 VASP is unofficially estimated to have lost around Cruzeiros 2bn (£8bn) on its all-domestic flights. The new purchases would almost certainly require an increase in the company's capitalisation from the state treasury.

To ease the immediate financial burden, VASP is understood to have told both bidders that it will insist on a purchase and lease-back arrangement involving its existing Boeing 737s and 727s while awaiting delivery of its new aircraft. The funds generated immediately could be set against the 15 per cent down payments required by Boeing and Airbus.

Competition

Competition to provide the best financing terms has been keen, despite the existence of an agreement between the U.S. and Western European governments, designed to prevent suicidal under-cutting. Both sides are offering 85 per cent supplier credits, but with different mixes between their state subsidies and commercial proportions.

The U.S. Eximbank is understood to be offering its standard terms for aircraft purchases: subsidised credit at 12 per cent interest for 42.5 per cent of the purchase price and the equivalent at commercial rates with a federal guarantee.

Subsidised

The European governments involved—France, Britain, Italy and West Germany—have a higher proportion of subsidised credit, 65 per cent, but repayment terms are not as good as those offered by the U.S.

If VASP goes for the A-310, at a unit cost including spares of about $70m, 20 per cent of the credit or $84m will come from the bank consortium linked to Airbus Industrie, including Banque de Commerce Exterior and Midland Bank.

● Reuter reports from Paris: Technip said it won a contract worth between $25m and $30m from the Segazcam Group to supply its gas liquefaction process for a factory to be built at Lolabe in Cameroon.

Construction of the gas liquefaction plant will cost around $2bn but details of its capacity have not yet been finalised, it said.

Yacyreta decision delayed again

A DECISION on the future of the Yacyreta hydro-electric project has been further delayed following the apparent failure of Government officials in Buenos Aires to formulate a revised judgment on the civil works contract.

The World Bank recently rejected a recommendation by the joint Argentine - Paraguayan management board in charge of Yacyreta that the contract gu to Impreglio of Italy.

The Bank is one of the project's main creditors. Instead the Bank has suggested contractual negotiations begin with Impreglio's rival bidder Dumez of France or that project bidding be reopened.

One idea that is being mooted is that the Argentines may be looking for alternative sources of finance for the project. Sr Roberto Alemann, the Economy Minister, is to attend the annual meeting of the Interamerican Development Bank in Cartagena over the weekend and is expected to raise with the IDB the problem of Yacyreta.

The IDB has already offered a similar line of credit for the project as the World Bank's $210m but has yet to announce any official position on the civil works contract.

Tokyo-Bonn signing soon

By Richard C. Hanson in Tokyo

WEST GERMANY and Japan are expected to sign an agreement shortly on a three-year Y1bn (£2.2m) joint project to study magnetically levitated transportation system.

Most of the work will be carried out in Japan, where both the national air carrier, Japan Air Lines and National Railway, have worked on separate linear motor propulsion systems. The West German-Japan study will be based on the Japan Air Lines project, known as the HSST.

The aim will be to develop technology for a flexible modular vehicle, which will be better able to handle corners than prototypes developed so far.

The cost of the project is likely to be split on a 70-30 ratio with Japan holding the larger share.

Iran wants to buy more Indian goods

BY K. K. SHARMA IN NEW DELHI

IRAN has told India that it wants to increase purchases of capital and consumer goods immediately because of internal shortages. It has offered to pay for them in convertible currency rather than barter for crude.

In the shopping list given to an official trade delegation that visited Tehran recently are items such as power generation equipment, transport systems, meat, maize, wheat seed, barley, pharmaceuticals, textiles and pesticides.

India is anxious to increase exports to Iran and hopes to reach agreement on these items when an Iranian trade mission visits New Delhi next month. A delegation of Indian exporters will visit Tehran.

One sore point remains: the Kudremukh iron ore pelletisation plant in the southern state of Karnataka which was commissioned after the late Shah of Iran's decision that his country would finance it to feed steel plants in Iran.

The present regime has not paid over $400m (£210m) long overdue for the project and is not accepting iron ore concentrates from it because the steel plants they were meant for are not ready. India has had to finance the project from its own scarce funds and its own surplus of iron ore.

Terry Povey adds: Iran's Ministry of Commerce has announced an $80m oil supply contract with Uruguay to run for nine months up until the end of 1982.

Uruguay is to pay for the oil, about 10,000 barrels per day, by selling Iran $60m worth of meat, wheat and rice.

This is the first reported barter deal between Iran and a Latin American state and represents a considerable growth in bilateral trade between the two states. In the past Uruguay's sales to Iran never exceeded $3m, said the Commerce Ministry.

Hong Kong fights for garment sales rights

BY KEVIN RAFFERTY IN HONG KONG

HONG KONG, the world's biggest exporter of garment's and clothing, is fighting hard for its rights to sell on world markets.

The tiny British-run territory of 400 square miles and just over 5m people worked out a tough agreement with the U.S. last weekend, but now faces a bigger battle with the European Economic Community.

"If the EEC offered us the same agreement that we have jst made with the U.S. we would say 'snap' immediately," said Mr William Dorward, Hong Kong's director of Trade, Industry and Customs. He is going to Brussels this weekend to meet unofficially with colleagues on the trade issue. Initial talks with the EEC are set for April in Hong Kong, but it will probably be June before talks become more substantive.

The U.S. is Hong Kong's biggest market for textiles and garments, followed closely by the EEC. In 1981 exports to the U.S. covered by the Multi-fibre Arrangement were HK$ 10.2bn (£975m) and Hong Kong exported another HK$ 1.5bn worth of textiles outside the MFA. Total exports of textiles and garments to the EEC came to HK$9.9bn, of which HK$8.9bn were goods covered by the MFA.

This means that almost a quarter of Hong Kong's exports are at stake in textile talks with the two big markets. Domestic exports in 1981 were HK $80.4bn. New large markets are hard to find, though the potentially huge Japanese market remains elusive for Hong Kong suppliers as for everyone else.

> ‘If the EEC offered us the same agreement that we have just made with the U.S. we would say snap immediately’—William Dorward, Hong Kong's Director of Trade

Hong Kong officials point to the inequity of the rich industrial nations picking on small territories like Hong Kong. Mr John Bremridge, the Colony's financial secretary, said recently that "We are the world's largest exporter of finished garments, and yet our share of the U.S. domestic market for textiles and garments combined is only 1.5 per cent."

Given the restrictive atmosphere for trade Hong Kong feels its U.S. agreement is not at variance with the terms of the MFA. The territory is only allowed low growth rates in a large number of "hot selling" categories. These rates range between 0.5 per cent to 2 per cent a year, compared to the standard 6 per cent rate provided in the MFA. But the U.S. deal is still tough. The 18 most restricted categories allowing only 0.5 per cent growth accounted last year for 55 per cent of Hong Kong's garment exports to the U.S.

In return, Hong Kong has been allowed more flexibility in dropping of quotas outside the 24 specific categories. The other good thing is that there will be no cuts in quotas for categories which remain under restraint.

The EEC, however is set for a tough battle. EEC ministers last month declared that the Community would reduce the current quotas of Hong Kong, South Korea, Taiwan and Macao, by 10 per cent, while giving preferential treatment to other suppliers.

Mr Lawrence Mills, Hong Kong's Trade Commissioner, declared the move "unparalleled and unprincipled."

Hong Kong's hope is that within the "labyrinth" of the EEC there will be room for manoeuvre and for wiser counsels. Mr Dorward pointed out that within the Community there was a range of attitudes "from the relatively liberal position of the Germans to the pathological attitude of the French. In addition, different allocations have to be worked out in accordance with the burden sharing formula."

He is sanguine about the outcome of the negotiations with Europe: "In the real world Goliath usually wins."

In spite of restrictions, quotas and controls on Hong Kong, in spite of protection in Europe, Hong Kong's industry has continued to advance. Manufacturers have accepted the challenge of quotas to become more competitive, to move steadily upmarket and continue to make more profits.

Colony 'should import more goods from U.S.'

HONG KONG—To alleviate a rising trade deficit between the U.S. and Hong Kong, the British colony should begin importing more goods from the U.S., especially textiles, Mr Burton Levin, the U.S. Consul General in Hong Kong, said yesterday.

The remarks follow conclusion of negotiations on a more restrictive textile trade agreement between Hong Kong and the U.S.

The bilateral accord has led to fears of tougher times for the textile industry, the biggest employer in Hong Kong.

Mr Levin said that trade between Hong Kong and the U.S. stood $3.5bn in Hong Kong's favour last year.

Rather than cut imports from the colony, he said the U.S. would like to encourage more exports to Hong Kong. In particular, he said that 50 per cent of the fabrics used in Hong Kong's textile industry are imported and that perhaps more could be purchased from the U.S.

The recently concluded textile agreement between Hong Kong and the U.S. reduced growth of 24 key categories to between 0.5 per cent and 2 per cent a year. AP-DJ

Call to increase scrapping of ships

By Andrew Fisher, Shipping Correspondent

A RAPID increase in the scrapping of surplus merchant ships in the present crisis is being sought by an international grouping of shipowners, shipbuilders, banks and oil companies.

"Every effort must be made to convince governments and other interested parties of the merits of scrapping," the International Maritime Industries Forum said at a meeting of its members in London yesterday.

The IMIF referred in a paper for members to "the current disaster situation in the bulk and tanker markets." Latest figures underlined again that the future was no better than forecast—"indeed it is much worse."

Mr Michael Champness of shipbrokers John I. Jacobs said the whole ship scrapping or recycling business should be put on to a more orderly basis. At the moment, it was "a form of backyard demolition."

The time had come for bankers to realise that they had rescheduled loans on large 10-year-old tankers for long enough. Asset values were crumbling daily and "it is time to call a halt."

Mr Champness said that an encouraging start had been made this year, with some 77 tankers sold for scrap, including 14 VLCCs (very large crude carriers).

The total of 6.95m deadweight tons was more than in the second half of last year. Taiwan is the main shipbreaking country, with South Korea and Pakistan also involved. But there are possibilities that Greece, Nigeria, China and India could also become involved.

Last year, about 40 VLCCs were scrapped and between 50 and 60 could go this year. The alternative, laying up a ship, costs nearly $1m (£527,000) a year with a few million more needed to put it back into service after a lengthy lay-up.

Mr Ronald Ilian, managing director of BP Shipping, said at the IMIF meeting that "equilibrium for tankers is still as far away as it ever was."

Villagers of Hose sleep easy for first time in years as mining is ruled out

Martin Dickson looks at the latest development in the NCB's plan to dig deep into the heart of Belvoir

THE 500 VILLAGERS of Hose, a small dairy-farming community at the heart of Leicestershire's attractive Vale of Belvoir, could sleep easy last night for the first time in five years.

Mr Michael Heseltine, the Environmental Secretary, yesterday removed a spectre which has haunted them since the mid-1970s when the National Coal Board announced plans to develop a huge coalfield in north-east Leicestershire. There were to be three pits—at Saltby and Asfordby, just outside the Vale, and at Hose, in the heart of this valley famed for its Stilton cheese, fox-hunting and Belvoir Castle, ancestral home of the Duke of Rutland.

The people of Hose faced the prospect of mine buildings and a huge spoil tip in the fields close to the village beneath an attractive tree-lined escarpment.

But Mr Heseltine, giving his long-awaited verdict on the NCB's entire Belvoir planning application, yesterday ruled out mining at Hose. He said it would "mar the contrast of the steep escarpment face with the sweep of the valley and would destroy one of the finest landscape features of Midland England."

That, however, was one of the few clear cut elements in the minister's complex judgment on the NCB's mining plans.

For although Mr Heseltine rejected the NCB's application for all pits as planned, he indicated that mining would almost certainly be allowed at Saltby and Asfordby if the board submitted fresh plans overcoming some of his environmental objections.

The ruling is the compromise outcome of a long inter-ministerial dispute over Belvoir, with Mr Heseltine initially arguing that no pits should be allowed—at least for the present—and the Department of Energy urging acceptance of the NCB's entire plans on grounds of energy need.

The cabinet clash was in large measure a re-run of the arguments over Belvoir presented exhaustively at an 84-day public inquiry in late 1979 and early 1980.

Demand

The NCB argued that its plans to mine 7.2m tonnes a year from Belvoir by the mid-1990s were vital to maintain Britain's production of deep-mined coal at about 110m tonnes a year and meet national demand for the fuel as world oil supplies grew scarcer. Belvoir was—and remains a key element of the NCB's ambitious "Plan for Coal"—a massive investment programme to revive the fortunes of the industry, which was in deep decline until the oil crisis of the early 1970s suddenly made coal the "fuel of the future."

Opponents of the NCB—who at the inquiry included Leicestershire County Council and the Alliance (an amalgum of local interest groups)—argued that mining would wreak intolerable environmental damage and that the need for coal had not been proved.

Mr Michael Mann, the inspector who headed the inquiry, backed the NCB—with major reservations. He recommended to Mr Heseltine that the board be given permission for all three pits on grounds of probable energy need, but said spoil tips should be forbidden at two of them—Hose and Saltby.

But Mr Heseltine said in a draft cabinet paper leaked last year, he was far from convinced of the need for Belvoir coal. He felt the application should be refused, at least for the present. He also believed tips should be allowed at none of the mine sites.

Yesterday's announcement shows Mr Heseltine in a more conciliatory light. He accepts that Belvoir coal is a "massive national resource" which will be needed at some point in the future, but he remains unconvinced that the degree of need outweighs the threat to the beauty of the land.

Displaced

He also accepts that development would provide work for miners displaced by colliery closures in Leicestershire and Nottinghamshire. This will be taken into account in any fresh NCB mining application.

Mr Heseltine is sticking firmly to his (and the Inspector's) opposition to tipping spoil at the pleasant village of Saltby. He is less insistent about Asfordby, where there is already substantial industrial development, and merely experesses "concern" about the impact on agriculture of tipping at this site.

Nevertheless, Mr Heseltine is insisting that before submitting a fresh planning application for Saltby and Asfordby the board should "re-examine how the coalfield can be worked to minimise environmental disturbance and how the colliery waste can be disposed of other than by local surface tipping."

Where does all this leave the NCB? It seems certain the board will submit a fresh planning application for Saltby and Asfordby. It would probably win approval fairly quickly, provided it meets Mr Heseltine's tipping objections. Some Whitehall sources yesterday said this could happen by the end of the year.

Mr Heseltine himself hinted yesterday that the lengthy rigmarole of a new planning inquiry may not be necessary.

A key factor here is that Leicestershire County Council, one of the most important opponents of the NCB in the past, has changed from an anti-mining Conservative administration to a strongly pro-development Labour one, which would not insist on a full inquiry.

Cost

However, before going ahead the NCB will have to re-examine the economics of the Belvoir project in the light of Mr Heseltine's environmental demands.

Rejection of the mine site at Hose means the board will have to find another way to the northern sector of the coalfield. It will probably opt to mine it by running tunnels out from the existing colliery at Cotgrave, several miles to the north-west. This solution, however, would mean lower productivity, since miners would take longer getting to and from the coal.

Mr Heseltine's objection to spoil tips means the dirt produced with the coal must be taken elsewhere—probably to Bedfordshire, where the council is keen to use the rubble to partially fill disused brick clay pits. But the cost of transporting spoil may push up the cost of Belvoir coal.

Mr Heseltine's judgment is unlikely to please the NCB. But it can take considerable comfort from the fact that there is a strong probability two Belvoir pits will go ahead. Its "Plan for Coal" strategy may be battered around the edges, but it remains essentially intact.

Neither will the minister's ruling please all the local opponents of mine development. Indeed, the only people likely to greet his announcement with unalloyed joy are the villagers of Hose.

Strathclyde suffers 12% rise in crime

Financial Times Reporter

TWENTY-ONE attempts were made to murder policemen in Scotland's Strathclyde region, last year, said Mr Patrick Hamill, the area's chief constable yesterday. More than 2,000 officers were assaulted and criminals were arming themselves against the law.

In his annual report, Mr Hamill said: "I am deeply concerned about the effect these assaults have on the physical well-being of my officers and the stress it places upon their families.

"The increase of 407 cases of people carrying offensive weapons is particularly serious, as this type of offence often leads to the commission of more serious crime."

After two years in which crime figures had remained almost static he reported an increase of more than 12 per cent to a total of 223,685 recorded crimes.

The new crime wave, he said, was matched throughout Scotland. Assault and robbery crimes in Mr Hamill's region increased by 13 per cent and the number of people carrying weapons increased by 30 per cent. He linked the two statistics and reminded organisations which used messengers to transfer cash that simple precautions could prevent many incidents.

There were 50 murder investigations during the year—14 fewer than in 1980. Arrests were made in 49 cases and at the end of the year the remaining case was still being investigated. The force dealt with 99 rape cases, an increase of four on the previous year.

● Overcrowding and conditions at one of the North of England's busiest prisons were described yesterday as "degrading to both prisoners and staff" by Mr William Pearce, HM Inspector of Prisons.

He reported that Armley Prison, Leeds, built in 1840 to accommodate 612 prisoners now held up to 1,200.

Oil refinery output 1m tonnes lower this winter than last

BY SUE CAMERON

OUTPUT from Britain's oil refineries this winter was 1m tonnes lower than last winter, according to the latest edition of Energy Trends, the Department of Energy's official statistical bulletin.

In the three months from November 1981 to January this year UK refinery output was 5.2 per cent lower than in the same period a year earlier. Demand for almost all oil products dropped — with the notable exception of petrol where sales rose by 9.2 per cent.

Sales of fuel oil—used in power stations and manufacturing plants—were 14.9 per cent lower during the three months than a year earlier. Sales of gas oil—used for heating—were 5.7 per cent lower, while those for jet fuel were 3 per cent lower and those for lubricating oil were down by 8.1 per cent.

But sales of petrol and of naphtha, used in the making of petrol and petrochemicals, rose. Petrol sales, encouraged perhaps by the long running price war at the pumps, increased by 9.2 per cent and naphtha sales were up by 1.5 per cent.

The Energy Trends figures show that during the three month period total UK primary energy consumption was 1.2 per cent higher than a year earlier. The largest increase was in natural gas, where consumption rose by 7.5 per cent. Consumption of oil and nuclear electricity dropped by 1.3 per cent and 4.3 per cent respectively.

But the bulletin suggests that the figures showing higher overall energy consumption may be misleading. "The rise in total consumption was largely due to temperature differences between the two periods," it says. "On a seasonally adjusted and temperature adjusted basis, total consumption in this period fell by 3.8 per cent with petroleum consumption 5.5 per cent lower than the same period a year ago. Nuclear electricity consumption was 4.9 per cent lower, coal consumption 4.3 per cent lower and hydro electricity consumption 17.3 per cent lower." On this basis, natural gas sales still rose by 0.3 per cent.

During the final three months of last year the UK's total fuel imports fell by 3.8 per cent compared with the same period in 1980 while exports increased by 17.3 per cent.

Crude oil cost 'will keep falling'

BY SUE CAMERON

A CONTINUOUS decline in the real price of crude oil over the next three years is being forecast by Dr Herman Franssen, chief economist of the International Energy Agency.

In an interview in the latest edition of Petroleum Review, official publication of the UK-based Institute of Petroleum, Dr Franssen predicts that crude prices will go on tumbling in real terms—ignoring inflation—with "whatever scenario you take."

By 1985 growth in oil consumption "will still be lower than the volume that the Organisation of Petroleum Exporting Countries is willing and able to produce."

Dr Franssen suggests that oversupply of crude will be stimulated by a steady increase in crude production from non-Opec countries.

North Sea oil production "will continue to grow" and U.S. supply will "hold up"—partly because America is "the most attractive tax climate for oil development."

"The Iran-Iraq war will stop some time and Iran will throw on to the market all the oil it can possibly produce," Dr Franssen says.

"Both countries are in great need of foreign exchange and both would like to regain their share of the Opec oil market."

Crude prices could start rising again in real terms towards the end of the decade "when there have been a number of years of low prices and the oil market has become tight enough." When that happens, even a "minor interruption in oil supplies could play havoc with the market."

Training board assets being 'stripped'

BY ALAN PIKE

THE GOVERNMENT was yesterday accused by the General and Municipal Workers Union of "asset-stripping" in the way in which it was winding up the statutory industrial training boards.

Mr Bobby Smith, national industrial officer, told a shop stewards meeting in Cheltenham that the disposal of staff working for the boards was a form of forced redundancies. But the Department of Employment was not acting like other employers who had to meet the costs of redundancy and severance pay. "They, rather than use their own funds, intend to enter into an asset-stripping exercise."

In the winding up of the Food, Drink and Tobacco board the Government intended to grab the board's assets to meet redundancy costs, he said.

The board's offices, in Gloucester were valued at more than £1m. Money from the industry, not the public purse, had bought the building but it was not to be taken for redundancy payments.

Britain to receive £813.2m from EEC

By David Tonge

THE EEC Commission announced yesterday that it would shortly be paying Britain £813.2m, the largest single refund ever paid by the EEC. The sum represents the major share of the £1,006m Britain is to receive to offset the costs of EEC membership last year.

The payments are being made under the agreement reached between EEC heads of government in May 1980 and, when completed, will result in Britain's net contribution last year falling to about £55m. EEC members are now hoping that a foreign ministers' meeting in Brussels on April 3, will agree on a future mechanism to handle Britain's budgetary problems.

The refunds represent the Community's contributions to a series of public sector investments. Of the £903.6m being paid for this purpose for last year, £290.5m will go for telecommunications projects, £242.8m for roads, £196.8m for electricity and £123.9m for water and sewerage. The Community is paying up to 40 per cent of the costs of the projects.

Among the projects receiving EEC backing are:

North West England: motorways connected to the Manchester outer ring road, the Ince B oil fired power station and Heysham I and II nuclear power stations.

Scotland: improvements to the A9 and an advanced gas-cooled nuclear power station at Torness.

Yorkshire and Humberside: the Drax coal-fired power station, telecommunications projects and improvements in the Yorkshire grid system.

Northern Ireland: a bridge across the River Foyle in Londonderry and housing in Belfast, Londonderry and Lisburn.

Wales: improvements to the M4, A55 and A40, the pumped storage station at Dinorwic and the Queensferry Sewerage Works Extension.

Northern England: a nuclear power station at Hartlepool, improvements to the A1 and A66, work on the region's telecommunications network, the Kielder reservoir and Tees augmentation scheme.

Cork for talks on De Lorean in U.S.

BY JOHN GRIFFITHS

SIR KENNETH CORK, the De Lorean receiver, is to fly to the U.S. on Monday for a further round of talks with potential investors in the Belfast sports car concern. The 1,500 employees still have their jobs, although it is five weeks ago today since Sir Kenneth announced on his appointment that the company could be kept going for five weeks at the most.

Although the front-running would-be investors withdrew two weeks ago, Sir Kenneth is understood to be still talking to at least two separate interested groups.

The receivers have been holding weekly meetings over the plant with Northern Ireland government officials, and it now appears likely that workers' jobs are not in jeopardy for as long as Sir Kenneth is satisfied that there are real prospects of saving the business.

Shop stewards this week told the workforce there was no truth in rumours that they would be told not to return after the Easter break in two weeks' time.

The plant is currently building 35 cars a week.

Meanwhile, creditors claiming a total of £20m expect to receive in the next few days a statement of financial affairs from the receivers, who formed a new trading company De Lorean Motor Cars (1982) to keep business operating.

Prospects for saving the company still depend on sales of the cars picking up, and several dealers in the U.S. yesterday reported that this was happening. At the same time there seemed little awareness of the true extent of the crisis affecting the venture.

Mr Mike Colvin, of the sales department of Estate Motors, Golden Bridge, said sales of De Loreans were averaging one a week. "I think we could sell on a regular basis about 100 cars a year," he said.

De Lorean has 350 dealers. The company originally said it could sell 20,000 cars a year but this was revised downwards to less than half at the time of the receivership.

Budget Rent-a-Car Corporation, which has been negotiating to buy or lease 2,000 De Loreans for the past three weeks, said in Chicago last night that an agreement on the deal will probably be announced shortly.

Engineering export surge tailed off by year-end

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

HOPES THAT some large export contracts won by Britain's engineering industry last year might be the forerunner of an export-led recovery were looking weaker towards the end of the year.

Official figures published in British Business today show the strong surge in export orders in the second and third quarters of last year was beginning to tail off in the last quarter.

The figures, calculated on an esimated trend basis, were particularly disappointing for December, showing a drop of 20.5 per cent on the volume of export orders taken in September.

Orders from the home market remained flat throughout the year. The final quarter showed a decline of 7 per cent on the previous quarter, while the total new order intake was down by 12 per cent between September and December.

The level of orders between 1980 and 1981, however, showed a 2 per cent increase, due largely to the placing in March of orders for two new nuclear power stations.

Orders-on-hand (the net increase of new orders over sales), gave a more promising picture with order books at the end of last year being 11 per cent higher than at the end of 1980.

Three large insurance groups join IOB

By Eric Short

THREE leading UK insurance groups—Commercial Union Assurance, Norwich Union Insurance and Prudential Assurance—have applied to join the Insurance Ombudsman Bureau (IOB).

The CU's decision was announced by Sir Francis Sandilands, its chairman, in his review which accompanies the company's 1981 report and accounts which are published today.

The IOB was set up a year ago by three major insurance groups to handle complaints from the public on both life and non-life policies. The ombudsman is Mr James Haswell, a lawyer by profession, and the bureau is controlled by a council, the majority of whose members are not appointed by the insurance industry.

The founder companies invited other insurance groups operating in the UK to join, but only six groups accepted the invitation before the scheme started and two more since its formation.

The Commercial Union said that at the beginning it had decided to watch and see how the bureau developed. Now it accepted that the bureau was performing a useful function in consumer relations. The other two companies confirmed this attitude.

Mr Haswell expressed his delight that the three companies would be seeking membership. Their decision would enhance the prestige of the bureau.

The three companies are strong in the British domestic insurance market and their action may well encourage other insurance groups to join the bureau, rather than the alternative complaints system—the Personal Insurance Arbitration System—set up by Sun Alliance and Eagle Star.

It is understood that the Scottish life companies—through their professional organisation the Associated Scottish Life Offices—are in discussions with the bureau concerning membership.

Cost of fire damage continues to rise

BY ERIC SHORT

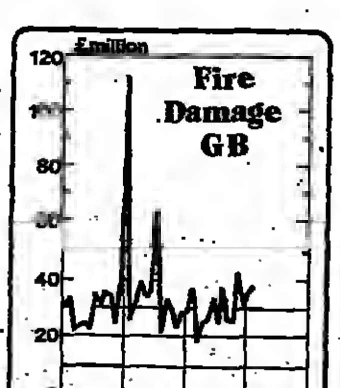
FIRE damage costs continue to rise in the UK, according to figures issued by the British Insurance Association. Damage in February climbed nearly £3m compared with the previous month, to £37.3m—slightly higher than in February last year.

This is the fourth successive month that damage has been higher than in the corresponding month the previous year. The figures follow a period in which fire costs had been declining steadily from their 1980 record.

Last month's statistics were boosted by a series of large fires—one at a Universal Freight Organisation chemical storage depot near Dewsbury causing damage estimated by the BIA at £2.32m.

These figures account only for the fire damage. They do not take into account other insured losses such as consequential or third party liability.

The Dewsbury fire, for example, caused the chemical pollution of nearby rivers over a wide distance with far reaching consequences. The ultimate insurance bill could be several times the fire damage figure.



Curbs urged on secrets

PEOPLE outside the Government service, no matter how eminent, are not suitable to see highly sensitive public records, a Government White Paper said yesterday.

The paper was replying to a report by a committee appointed by the Lord Chancellor under the chairmanship of Sir Duncan Wilson, a former ambassador, which examined the arrangement for the release of Government records.

Under present law, records normally become available for inspection at the Public Record Office after 30 years unless Government departments decide they are so sensitive they should remain closed for longer. The abdication papers are among those closed for 100 years.

The committee recommended that the present advisory committee under Lord Denning, Master of the Rolls, which advises the Lord Chancellor, should have a bigger role as an independent source of advice.

It was recognised that to fulfil this they would require access to closed records which could lead to the problems of confidentiality. Sir Duncan's team therefore proposed that a special sub-committee, comprising Privy Councillors or other qualified people, should be able to see material of highest sensitivity.

Consumer movement awaits the doctor's debut

David Churchill looks at Dr Vaughan's first month in office

DR GERARD VAUGHAN, the new Minister for Consumer Affairs, will face the grass roots of the consumer movement for the first time this weekend at the annual National Consumer Congress in Guildford.

For Dr Vaughan, who has spent most of his career in the medical profession and as a Conservative health spokesman and minister, the congress comes at an ideal time.

With less than a month behind him at the Trade Department, Dr Vaughan is still very much enjoying a "honeymoon" period with the consumer movement.

For their part, consumer activists have not yet had a chance to weigh up the political strengths and weaknesses of their new minister. Indeed, they are still only too pleased that Mrs Thatcher decided not to abolish the post after the resignation of the previous incumbent, Mrs Sally Oppenheim.

Mrs Oppenheim's surprise resignation had shocked the consumer world as—after a patchy start—she was generally regarded as having got very much on top of her job.

Dr Vaughan believes that "concern for the consumer is very much a measure of the sensitivity of the Government." But nevertheless, he was a surprise candidate for the job.

A former practising consultant at Guy's Hospital, he has to come to terms with the vagaries of the consumer movement without any of the background Mrs Oppenheim brought to the job after several years spent understudying the role while in Opposition.

But although not a consumer specialist, Dr Vaughan believes he has qualifications for the job both as an ordinary consumer and as a councillor and MP of longstanding.

"I've increasingly noticed how complicated life has become for people," he says.

Dr Vaughan intends to feel his way slowly for the next few weeks, taking stock of the department's current workload — such as decisions on bargain offer advertisements and consumer representation in the nationalised industries.

He will also listen to the consumer movement's views — which is why he is taking this weekend's congress very seriously.

But then he intends to press ahead by setting a schedule of priorities. Among the issues he wants to tackle are consumer education and safety, competition policy, and ensuring that consumers are able to take advantage of the legislative framework which exists to protect them from rogue traders.

Although no major new legislation is likely in the life of this parliament, Dr Vaughan says much can be done by changing people's attitudes without forcing the Government to increase its expenditure. Even so one of Dr Vaughan's first acts as Minister was to increase the grant for the Citizens Advice Bureaux—an organisation which he holds in high regard.

Like his predecessor, Dr Vaughan also firmly believes a balance must be maintained between active consumerism and the interests of traders, so that neither the buyer nor the seller gets the upper hand.

Dr Gerard Vaughan: taking stock

BL in £20m gearing up of van production

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL's van manufacturing business Freight Rover, which came close to being killed off last year, is being nursed back to health with the help of a £20m investment programme.

The company has been given its own management team, headed by Mr Tony Gilroy as managing director. He was manufacturing director at Austin Rover when the Metro was being rushed into production.

The investment programme involves a replacement, code-named K2, for the eight-year-old Sherpa van range, and another, heavier, van code-named the MT 210.

The Sherpa replacement was due to be launched in November. But this has been brought forward to June to take advantage of the August period when registrations of cars and light commercials are given a boost by the new registration suffix—this year "Y."

The MT 210, designed to work at 3.5 tons gross weight and to take on part of the best-selling Ford Transit range, will be launched in mid-1983.

When Mr Gilroy moved to Freight Rover a year ago his first job was to examine whether the business should be closed down or whether it had a future.

BL was spending heavily on getting a new range of cars and trucks on the road as quickly as possible and the van operations were in danger of heing squeezed out.

Ironically, Freight Rover had its hest production year in 1980, but this coincided with a steep drop in demand coupled with a sharp increase in competition.

At the end of 1980 the company had 6,000 vehicles in stock—equivalent to one year's supply at the rate they were selling. December that year.

After Mr Gilroy moved in Freight Rover went on to a two-day week. There were two compulsory redundancy exercises which cut the workforce by 52 per cent to 1,200, including staff.

The uncertainties communicated themselves to the dealers and this did not help sales. Registrations of Sherpas last year fell from 14,700 to 8,540, giving Freight Rover only 8.6 per cent of the van market compared with the Ford Transit's 33 per cent.

But the company is back to full-time working as it prepares for the launch of the K2. Output exceeds the targetted 300 vans a week. Productivity is up 27 per cent from 18 months ago.

Freight Rovers — previously part of the volume car operators Austin Rover—now has its own management team, capable of making all decisions. Mr Gilroy says this approach — arising from the decentralisation which has been going on throughout BL—"gives us speed of action, more decisiveness."

He and his team visited 200 dealers before going ahead with the investment programme. The main problems mentioned included:

- The Sherpa was overpriced;
- Freight Rover needed a fresher, newer vehicle, but one which could keep the Sherpa's strong points such as the low running costs;
- The cosmetic quality of the can needed improving.

To meet this last point, £10m of the investment cash is being spent on a new paint plant which not only will improve cosmetic quality but also give much better protection against rust. The plant will be completely automated.

Freight Rover has raised prices only once, by 5 per cent, since Novmber 1980. However, there will be a 3½ per cent increase next month.

BL's determination to keep down prices also helped because Freight Rover buys engines, gearboxes and axles from its sister company, Austin Rover.

If all goes according to plan, Freight Rover, with the benefit of the new vehicles, should double output to 600 a week by mid-1983. Better use of available space will enable two vehicle types to be produced where one is turned out today.

Mr Gilroy expects to push exports to the Continent up substantially so that they remain roughly 30 per cent of total production. Freight Rover will go for "niche" marketing, filling in gaps in the market which other manufacturers have allowed to open up.

The dealers who were once thinking of deserting in droves are coming back. There are now 360 and the target is 372 by the time K2 is launched.

And, like BL as a whole Freight Rover should be back to making a trading profit for 1983 and then a profit at pre-tax level in 1984.

Government fears industry may be missing out on aid schemes

BY ALAN PIKE

THE GOVERNMENT fears industry is insufficiently aware of the aid available under regional assistance schemes.

Mr Norman Lamont, who as Minister of State for Industry is responsible for regional policy, says in an interview in the Government magazine British Business, that he has become increasingly concerned about the lack of knowledge of schemes in some sectors of industry.

"We try to put over our regional policy in as simple a way as possible. Sometimes I think life is made more confusing for businesses, particularly small businesses in some areas, by a proliferation of local agencies. Then, of course, there is local authority support for industry."

The Government recognised, said Mr Lamont, that local authorities had a positive role to play in sustaining and fostering local economies and employment. But the Government had also to consider the needs of regional industrial and inner city policies in drawing up new powers for local authorities to assist industry.

An important function of local authorities ought to be the preparation of land and other measures necessary to develop industrial estates. There was a clear but different role between local authorities and central government.

Mr Lamont believed that over the years the effect of regional policy had helped divert investment and employment from other areas, and helped create new jobs.

He said he thought the record showed that in the 1960s and 1970s "regional policy had a very considerable impact on the modernisation of industry and the distribution of employment."

Air users' federation sought

By Michael Donne

A FEDERATION of individual national organisations representing the interests of airline passengers may be established as a result of efforts by the UK Air Transport Users' Committee.

The UK committee was set up nine years ago to advise the Civil Aviation Authority and to act as a representative for passengers in helping to frame aviation policy, as well as to help redress passengers' grievances.

It has recently been trying to set up similar committees in other EEC countries. Such bodies have emerged in Iceland and Italy and progress has been made in others.

The UK committee wants to see an international federation set up. "Formal and concerned user pressure on government departments concerned with civil aviation and on the airlines is undoubtedly required if air transport services throughout the EEC are to be brought into line with the requirements of their users, rather than being unduly influenced by political and commercial considerations," it says.

An international federation would seek to establish collaboration between organisations in EEC member-states "to further the interests of all classes of users of air transport."

BCal offers savings on Atlantic service

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PASSENGERS BOOKING and paying before May 1 for British Caledonian's Gatwick-Los Angeles service will save up to £176 on a round trip.

The service starts on May 21, but the airline guarantees that passengers who pay now, even for flights much later in the summer, will not be charged the increased fares that start on May 1 under an inter-airline agreement covering the North Atlantic.

The executive class off-peak single fare, now £461, will become £549 (representing an increase of £88 or £176 on a round trip), while the peak single rate of £509 will become £596, a rise of £87 or £174 on a round-trip ticket.

Temporary licence

The economy peak single at £259 will become £284 and the 21-day advanced purchase excursion peak return rate of £508 will go up to £534.

British Caledonian is starting the route under a temporary licence, but has applied to the Civil Aviation Authority for the longer-term licence as the second UK airline on the route (after British Airways).

Public hearings into this application start in London on May 4.

Mr Adam Thomson, chairman of the airline, has said that British Caledonian intends to work hard to ensure that it becomes the permanent second British airline on the route.

British Airways, meanwhile, yesterday described as "total rubbish" the claims made in a survey by the International Airline Passengers Association that it was the airline international travellers tried to avoid.

'Puzzled officials'

Mr Mike Osborne, BA's head of marketing services, said the survey was "unrepresentative and unscientific—a hotchpotch of misleading statistics."

The IAPA claim was based on the views of 1,000 out of a total of 41,000 members who had bought travel insurance from the IAPA before being polled. The same poll had voted BA as the fourth-best airline, a contradiction which puzzled even IAPA officials, according to BA.

The airline said that two recent independent surveys, one by a consortium of newspapers and the other by the City of London Polytechnic, had both totally contradicted the IAPA's findings.

The former had showed more than half a random sample of businessmen favouring BA, and the latter showed that 48 per cent of those questioned put BA top of the list.

Merseyside schools show enterprise in creating jobs

BY IAN HAMILTON FAZEY

IN BRITAIN'S bleak mid-winter, as recession chilled much of industry to the bone, a small company in St Helens was astonished to find itself running completely against national trends.

Its products were specialised Christmas cards. Each design was printed in outline only, for exclusive sale to primary schools where pupils then coloured the cards to send to relatives and friends.

The discovery of that gap in the market may well make someone else's fortune next Christmas, for the St Helens company, Renaissance, is about to fold, in spite of also doing well from sales of school class photographs. Unfortunately, its 22 directors will then be in the Upper Sixth at Rainford High School and too busy with their "A" levels to run a company.

Theirs was one of 15 companies set up in Merseyside schools under the auspices of Young Enterprise, the national charity that works to reduce gaps between school and industry. All the companies put their wares on display at a trade fair this week at Liverpool's Holiday Inn, the hotel providing the space free as its contribution to the scheme.

All the school companies had management consultants in the shape of executives on part-time loan from United Biscuits, BICC, Littlewoods, Goodlass Wall, Midland Bank and Plessey. Where sponsoring organisations were a parent/teachers' association or the junior chamber of commerce, professional advisers included managers from Lloyds Bank, Pilkington, and the Ena Shaw furniture store.

The trade fair was the biggest of its kind Young Enterprise has staged in Britain and points to increasing self-help in areas hit hard by unemployment. Not so long ago many thought it enough to teach pupils how to apply for a job. Now they are being taught how to create their own.

This same theme of equipping people for self-help also featured prominently in the launch yesterday of the Merseyside Centre for Employment Initiatives. The controlling board, chaired by a county councillor, includes college and university teachers, the county solicitor, a full-time official from the Union of Shop Distributive and Allied Workers, and senior executives from Littlewoods, Lloyds Bank and United Biscuits.

The centre, which will eventually cost £1m a year to run, is attracting £12 from Government agencies and local industry for every £1 spent of ratepayers' money. The EEC Social Fund has been asked for £300,000 towards workshops.

Limit urged on Scottish rate rises

SCOTLAND is in danger of being ignored by new companies because of its high rates, it was claimed yesterday by Dr Bryan Rigby, Deputy Director-General of the CBI.

He said companies comparing costs would find that business rates in Scotland rose on average twice as wast as those in England and Wales.

Speaking in Ayr to the Annual Conference of the Convention of Scottish Local Authorities, he urged a cut in business rates if they wanted to see private industry thrive.

"It is an above average problem in Scotland where companies tend to be more remote from markets, have higher transport costs and therefore have to work with thinner profit margins," he said.

Dr Rigby said the CBI had been pressing central government for reform.

"It is our belief that the greatest contribution you in local government can make to promoting the economy and improving the prospects for secure employment is by limiting the rate increases."

Machine tool purchases fall sharply

By Mark Webster

BRITISH industry's purchases of machine tools fell last year in real terms to less than half their 1979 level, Mr Pat Gailey, president of the Machine Tools Trades Association, said yesterday.

Speaking at the opening of the metal-cutting and metal-working exhibition at the National Exhibition Centre, Birmingham, he said the fall was a "sad comment on our engineering virility."

Sales of machine tools in Britain totalled £405m last year compared with £628m in 1979. Companies concentrated on trimming and refining existing facilities, he said.

The Budget had given impetus to a gentle expansion of the UK economy. Therefore, now was the time to start investing again at a substantial rate.

Sir Francis Tombs, chairman of the machine tools committee of the National Economic Development Council, who opened the exhibition, said that industry should now begin to equip itself for an upturn and should take advantage of short order books and competitive prices to do so.

ICL and Logica conclude deal on word processors

BY GUY DE JONQUIERES

ICL AND LOGICA have completed arrangements to take over the marketing of word processors previously sold by Nexos, the National Enterprise Board's office equipment subsidiary, which is being dismantled.

ICL, Britain's largest computer company, and Logica, a leading computer systems house, will both market the machine in Britain and overseas. Logica will also develop new versions of it for ICL.

The machine is being manufactured at a plant in Swindon, Wiltshire, owned by Logica VTS, a joint subsidiary of Logica and the NEB, part of the British Technology Group. Logica expects shipments this year to be double last year's 1,200 units.

The agreements also give ICL the right to make the existing word processor and future versions at its own factories.

Nexos was set up about three years ago in an attempt to create a state-backed supplier of sophisticated electronic office equipment and systems. But it never achieved a profit, in spite of NEB investments of about £30m.

UK NEWS—PARLIAMENT and POLITICS

Tougher police powers to stop and search planned

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE GOVERNMENT is to bring forward a Bill in the autumn giving the police new and tougher powers to stop and search people on the street and to enter buildings where crime is suspected.

The measure was foreshadowed in the Commons yesterday by Mr William Whitelaw, the Home Secretary, who has been under attack by some right-wing Conservative MPs who claim that his law and order policies have been too soft.

Mr Whitelaw has also been having talks with the Secretary of State for the Environment, Social Services, and Education to draw up proposals to involve local commonities in the campaign to curb crime.

He will report back to the Commons on the result of these talks later in the year.

The Home Secretary, speaking at the beginning of a debate on policing and crime, aeems to have won the first round against the critics in his own party.

He receivad an encouraging cheer from Tory backbenchers as he sat down.

Today he faces the task of allaying the fears of grassroots members of the party when he speaks to the meeting of the Conservative Central Council in Harrogate.

Yesterday he hit back at those who have been sniping at him, and said they had a duty to avoid "destructive criticism" and wild exaggeration of crime statistics.

"It is time that the sterile debate about hard and soft policing was ended," he declared.

The complex problem could not be summed up in those terms—"such debate is irrelevant an misleading."

What was needed, he said, was a "measured and realistic response."

Mr Whitelaw also firmly rebutted the arguments from the abour left-wing. Mr Norman Atkinson (Totteoham), former treasurer of the Labour Party, said the indignities associated with stop-and-search were resented by everybody. In extending these powers he thought the Home Secretary was sacrificing goodwill, particularly among the black community.

"Will you think again aboot what it involved in stop and search techniques?" he asked.

There were cries of support from the Conservativa benches when Mr Whitelaw replied: "I quite accept that proposals of this kind will not be popular with those who are seeking to commit crime.

"But I cannot see why it should sacrifice the goodwill of the vast majority of law-abiding citizens of this country who wanl to be protected from crime."

Mr Whitelaw accepted the case which the Royal Commission on Criminal Procedure had made for some extension of police powers, and he intended to legislate on these lines.

He accepted the need to rationalise the existing powers to stop-and-search for stolen goods and to introduce new powers to stop and search people for offensive weapons.

In doing this he has accepted the Commission's proposal that the muddle of existing local powers to stop and search a person or vehicle should he replaced by a single general power.

The Home Secretary defended the decision of the Metropolitan Police to publish figures of the racial appearance of people involved in street robberies in London.

He clashed with Mr Roy Hattersley, Shadow Home Secretary, on this point. Mr Whitelaw argued that such problems should be discussed i nterma of fact rather than roumour, an dsadd: "I stand by the belief that this was the right course."

Mr Hattersley made clear that Labour would not support stronger police powers of the kind announced by Mr Whitelaw. These, be said, would detach the police even further from the community.

"They would only result in a deterioration in the relationship between the police and the public. Such proposals would be wholly intolerable to thinking opinion."

Mr Hattersley criticised the Metropolitan Police table which detailed robberies according to race. He said it was "statistical garbage" which ad been issued as part of a police campaign for tougher sentences.

Labour anger over planning curbs on Belvoir coal

BY IVOR OWEN

DELAYS IN mining developments in the Vale of Belvoir, certain to arise from planning restrictions imposed by Mr Michael Heseltine, the Environment Secertary, were attacked hy Lahour MPs in the Commons yesterday.

A series of hostile qnestions from the Opposition benches reflected concern about the employment repercussions for miners and anxiety about the wider implications for the energy needs of industry.

Mr Heseltine was praised by Government supporters for his handling of one of the most difficult environmental issues to face any minister since the war.

He made it clear that the speed with which the National Coal Board devises improved methods of spoil disposal will be a key factor in determining the pace at which mines are sunk beneath the Vale.

But he ruled out the development of a mine complex at Hose—the proposed pithead would have been in the Vale of Belvoir itself—as "environmentally unacceptable."

Mr Heseltine stressed: "Mine buildings here on the scale proposed would dominate a wide area and would be alien to the Vale."

He also disclosed that bnt for legal difficulties he would have been prepared to consider giving an immediate but conditional "go ahead" for the other two mines proposed by the NCB at Asfordby and Saltby.

Mr Heseltine sald be bad concluded that the anticipated requirement for the coal from Belvoir and the employment arguments were not incompatible with the need to seek an alternative approach to the developments which gave more weight to the environmental objections.

He insisted: "This decision should not be seen as in any going against Government policy that the coal industry has an essential and increasing part to play in meeting this country's future needs for energy, provided that it is competitive and hased on efficient high productivity capacity."

Mr Heseltine issued a virtual invitation to the NCB to sumbit new planning applications setting ont revised proposals, and offered to make available officials fro mhis department to assist.

He emphasised: "It is a matter for the Board as to when new planning applications are submitted, and, provided the major environmental objections can he overcome, I would not anticipate that the procedures for handling these would need to be unduly prolonged."

Mr Gerald Kaufman, shadow Environment Minister, described Mr Heseltine's statement as a "lamentable confession of vacillation and delay."

He recalled that the planning applications were submitted hy the NCB three and a half years ago and that the report of the inspector who conducted the local puhlic inquiry had heen in the Minister's hands for 15 months.

Mr Kaufman complained that the planning decisions announced by Mr Heseltine had blown a "large hole" in the NCB's proposals

Some 8,000 jobs would be lost through lhe exhaustion of pits in Nottinghamshire and Leicestershire, and the Belvoir development would have replaced about 4,000 of them.

He protested: "This decision is damaging to jobs, the coal and electricity supply industries and to Britain's industrial future."

Stressing the environmental factors which he had been obliged to take into account, Mr Heseltine pointed out that the Inspector had referred to tha land as being of a character "normally associated with a national park."

Business in parliament next week

COMMONS

Monday: debate on Trident programme; Wool Textile Industry (Amendment) Orders.

Tuesday: Fire Service College Board (Abelition) Bill; Stock Transfer Bill, remaining stages; Gas Levy Rate Order; Dental and Optical Charges Amendment Regulations; Local Government (Direct Labour Organisations) Amendment Regulations.

Wednesday and Thursday: Oil and Gas (Enterprise) Bill, remaining stages.

Friday: Private Members' Bills.

LORDS

Monday: Antiquities Bill, Report; Copyright Act 1956 (Amendment) Bill, Committee; Shops Bill, Committee; Local Government (Miscellaneous Provisions) Bill, Committee.

Tuesday: Salmon Fisheries (Protection) Bill, Third Reading; Administration of Justice Bill, Committee; Wool Textile Industry Orders; Social Security Order State Scheme Premiums (Actuarial Tables) Amendment Regulations. Debate on EEC farm price proposals and European agriculture; short debate on Poland.

Wednesday: short debates on tha regeneration of cities, the law on copyright and designs and performers' protection, and on the Queen's Flight.

Thursday: Coal Industry Bill, Committee; Lloyd's Bill, Second Reading; Copyright Act (Amendment) Bill, Third Reading; Deer (Amendment) Bill, Report.

Prior Ulster plan expected to pass Cabinet

BY MARGARET VAN HATTEM, POLITICAL STAFF

MR JAMES PRIOR'S plans to return devolved government to Northern Ireland yesterday won the backing of a key Cabinet committee headed by the Prime Minister, and now appear certain to be approved by the full Cabinet next week.

The Northern Ireland Secretary was given the go-ahead at the overseas and defence committee to introduce legislation during the current session of parliament to enable the transfer of power to an assembly to be set up in the province later this year.

A Bill is expected to be presented to the Commons before Easter.

A substantial majority of the 13 ministers present approved Mr Prior's draft Bill and supported his argument that it should be passed during the current session. But strong doubts were expressed over aspects of the White Paper which is to accompany it.

Sections of the White Paper stressing the Irish context of devolution and underwriting the nationalist identity of the province's Catholic minority are likely to be substantially watered down before the papers return to the Cabinet.

These sections, which refer specifically to the creation of a Parliamentary tier to the recentl yestablished Anglo-Irish Council, were originally included to mollify Ulster's main Catholic party, the Social Democratic and Labour Party.

The SDLP considers the system of government envisaged by Mr Prior to be unworkable and has been insisting on the creation of the parliamentary tier as a condition for its participation in the assembly elections, expected to be held in the autumn.

The Government appears satisfied, however, that all the major Ulster political parties intend to contest the elections, although all of them have expressed strong opposition to the way in which power is to be transferred.

Mr Prior is proposing that power should be withheld from the assembly until around 70 per cent of its members, including representatives of both communities, reach agreement on a form of government.

The Unionist parties remain committed to majority rule, while the Catholics insist on a ministerial role in government.

A minority of the ministers at yesterday's meeting, including the Prime Minister, are understood to doubt whether the parties will reach sufficient agreement for the plan to progress further than the creation of an assembly.

But Mr Prior is believed to have received strong backing from former Northern Ireland Secretaries Mr Humphrey Atkins and Mr William Whitelaw.

Yesterday's decision means that Mr Prior's plan has now passed its biggest hurdle on this side of the water, and will be seen as a vote of confidence in his judgement that it is hetter to press on in the face of traditional hostilities than to sit back and do nothing.

Although several Tory back benchers on the right wing of the party will almost certainly vote against the legislation, and protracted constitutional arguments are expected from Mr Enoch Powell, Official Unionist MP for South Down, party managers are confident that the vast majority of the party will support the Bill.

Merton by-election likely for June 3

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

THE SDP faces its next—and potentially most awkward—by-election test on June 3.

The Labour Party has agreed to move the writ for the by-election in Merton, Mitcham and Morden to allow Mr Bruce Douglas-Mann to resign the seat he won for Labour by just 618 votes, and fight it again as a Social Democrat.

The writ will be moved on May 11. Mr Douglas-Mann will resign his seat shortly before that.

June 3 could coincide with the by-election in Beaconsfield, which might strain the resources of the SDP-Liberal Alliance. As far as the SDP leadership is concerned, the by-election will be a not very welcome distraction after Hillhead.

Mr Douglas-Mann is resigning his seat against the wishes of his SDP parliamentary colleagues, all of whom have refused to give in to Labour taunts to resign. The party's steering committee will decide next week how much help to give him, and whether he should be allowed to stand as the official SDP candidate.

Mr Douglas-Mann has, however, already got the support of the local SDP and, though he is not a member of the parliamentary committee of the SDP he has been allowed to become a member of the party.

He hopes the SDP leadership will go to Merton to speak for him, but he accepts that he will have to pay most of his election expenses himself. So far he has raised £200 out of the £4,000 he will need.

The Labour Party in Mitcham has already chosen a local primary school headmaster, Mr David Nicholas, as its candidate, while the Conservatives have selected a Kingston councillor, Mrs Angela Rumbold.

The by-election, like Hillhead, Is likely to be a three-way contest. At the last election the Liberals won only 4,258 votes.

How Islington SDP froze out Labour defector Bill Bayliss

Fall of a Town Hall boss

SEAT OF POWER: Councillor Bayli ss pictured in Islington Town Hall

WHEN THE Social Democrats first opened the door to mass membership, they made one fundamental mistake — they opened it too wide.

The repercussions of that mistake are likely to transform what set out as a hopeful band of idealists into something very like the scheming politicians they hoped to replace.

For in order to repel the unacceptables who crawled through that open door, they are having to dirty their hands in some of the sordid tricks of political in-fighting they once so primly disdained.

The story of how the Islington SDP got rid of Councillor Bill Bayliss is a cautionary tale for all who set out to break moulds.

Councillor Bayliss is often described as the archetypal machine politician. For 30 years, he cultivated all the people in his little fiefdom whose support was necessary to keep him in power—the key tenants on housing estates, leaders of tenants' associations and community groups.

He had friends, councillors in the north and south of the borough, who shared his views on public spending—in the monetarist mould—and on defending the working classes from middle class entryism.

Together they had the borough sewn up for the Labour Party, which gratefully accepted the three parliamentary seats the local party machine guaranteed it.

Then the middle classes arrived. They bought and renovated the crumbling Georgian terraces and they brought their liberal and left-wing ideas into the local Labour parties. They began to ask why so few houses were being built and so little money spent on social services.

Councillor Bayliss resented anyone questioning his way of running things. He quickly saw off the liberals, telling them in no uncertain terms they had no place in the Labour Party. But the left wingers were a hardier breed and they eventually got the better of him.

By the time the SDP set up shop, Councillor Bayliss was ready to move out, taking his machine with him, to join the new party.

Last September he and 15 other councillors joined the six Labour councillors who had already defected to the SDP, and soon after, when three more councillors defected, Britain got its first SDP-controlled local council.

The Islington Labour parties, while sorry to lose their three MPs, 25 of their 50 councillors and hence control of the 52-seat council, rejoiced in the cosiness of their new-found, left-wing, middle-class homogeneity, and sat back to watch with amusement as the SDP newcomers struggled to escape the enveloping embrace of the hard-right Bayliss group.

The Islington SDP reflects the party nationally in that it comprises a curious blend of former Labour activists and enthusiastic amateurs. On arrival, Councillor Bayliss took a quick look round and decided he needed reinforcements in the form of more working-class party members. These could be expected to support him and his friends in contesting selection for the May local council elections.

The party, however, soon decided that if having him was the price of working class support, then the price was too high. Since his claim to be the key representative of the working classes in the area did not, they felt, bear too close an inspection, they calculated they could do without him. So a group of them set about freezing him out.

This turned out to be harder than they had expected.

The local party had, with the approval of officials at national headquarters in Cowley Street, London, and of members of the Electoral Reform Society, introduced an unorthodox — though perfectly legitimate—selection procedure for council candidates.

The idea was to allow all members of the local party to vote for candidates in all wards. The effect was to break down the highly localised support for Councillor Bayliss and one or two of his friends.

They then decided to confine voting rights to members who had joined the party by December 8.

Councillor Bayliss, whose council duties often kept him away from the party's weekly Thursday meetings, says he did not hear of these decisions immediately. However, he reacted quickly enough to recruit 28 new members to add to eight recruited by fellow councillor Miss Sybil James and around 100 recruited by former Labour activists associated with Mr Michael O'Halloran, SDP MP for Islington North.

Councillor Bayliss took all these applications to Cowley Street on December 8. Some of the officials there had been following the developments in Islington and were not unsympathetic to the efforts to dislodge him. The applications were rejected on the grounds that the accompanying subscriptions were insufficient.

This was odd. Although tha SDP had initially suggested that £11 a year would be a most acceptable membership subscription, it had also indicated that less would be acceptable from those who could not afford this. A minimum subscription of £4 had been fixed on December 1, but national party officials confirm that this had been waived in some other cases in December.

Members of the SDP's local steering committee appear faintly shocked by the affair, though it is not clear whether they are more shocked by Councillor Bayliss and his ilk, or by their own aptitude for the knifework involved in seeing them off.

Councillor Bayliss who contacted one of the party's London organisers to check on recruiting procedure, forms and minimum subscriptions, insists he was told that £1 or even 50p per member would be sufficient, especially since the year was drawing to a close and membership ran on calendar years.

However, the applications were temporarily rejected, and a few weeks later, at the request of the Islington party, the national officials decided to investigate the recruitment procedures. From then on, the writing was on the wall.

Last week the party named its candidates for the May local elections and neither Councillor Bayliss nor Councillor James were among them. The likelihood of similar tactics by the party when it comes to choose its parliamentary candidates is not being ruled out by Councillor Bayliss, who is now sounding out the prospects of standing as an independent council candidate.

Councillor Bayliss is understandably bitter about the whole episode, which he sees as an attempt by middle-class arrivists to suppress the working classes.

Unless he has grossly overestimated his grip on what is left of the old machine, he could take several councillors with him and, with their help, ensure that the SDP does not recapture its majority in Islington for some time to come.

The first sign of wrecking tactics came last week when six SDP councillors closely associated with Councillor Bayliss walked out during a key vote in the Islington Town Hall, enabling Labour to defeat the council's 1982-83 budget.

The rebel councillors included his wife, Mrs Audrey Bayliss, and Miss James. Councillor Bayliss personally supported the SDP on the budget, but many of his fellow SDP councillors blame him for the rebellion.

The council is to meet again tonight in another attempt to agree a budget.

Members of the SDP's local steering committee appear faintly shocked by the whole affair, though it is not clear whether they are more shocked by Councillor Bayliss and his ilk, or by their own aptitude for the knifework involved in seeing them off.

"We have learned an awful lot in the past few months," one of them admitted ruefully the other day.

The story is likely to have many sequels across the country as the SDP starts to define what it is and what it stands for.

Its founders decided from the outset to go for working-class support, but to dissociate themselves from the discredited old Labour machine.

Whether you can have one without the other remains to be seen. The Islington SDP thinks you can, and has staked its majority on it in the coming local elections.

But some of its members reveal a selective, rather rosy view of who represents the real working class. They may be better placed to attract the broad support they want if they become a little less starry-eyed.

UK NEWS – LABOUR

'Low morale' warning by British Rail staff

Financial Times Reporter

THE MORALE of British Rail staff is so low that senior staff would rush to take redundancy if it was offered, Mr Tom Jenkins, leader of BR's white collar workers union, said yesterday.

Sir Peter Parker, BR chairman, wants 3,000 white collar jobs to go in addition to most of the 7,000 other rail jobs which have been scheduled to be cut by the end of the year.

Mr Jenkins, General Secretary of the Transport Salaried Staffs Association, is seeking an urgent meeting with BR so that be can report to his full executive within the week.

He said: "I am concerned that, in calling for volunteers for redundancy aged 55 and over, they could be oversubscribed.

"It could well be that senior and experienced staff needed to run the railways could opt to leave early. This would leave BR with a major management problem.

"We agree with productivity, but it has to be carried out in a proper and organised way through the machinery."

Administrative staff are to be cut from BR's headquarters at Euston, five regional headquarters and 20 division headquarters.

It will be done by early retirement and natural wastage. As a first step the Board has already started seeking volunteers for early retirement among men 55 and over and women 50 and over.

British Rail is expecting to announce a loss for 1981 next month of nearly £60m. It would have ben nearly £140m, but for the Government's £80m public service obligation grant.

Balance urged in Civil Service pay structure

By Philip Bassett.

THE GOVERNMENT has accepted the need to balance its political ambition of making pay in the Civil Service reflect the impact of market forces with the service's internal management needs.

Lady Young, Chancellor of the Duchy of Lancaster, and minister with day to day responsibility for the new Management and Personnel Office has made this clear in a letter to the Government's inquiry into civil servants' pay, which is being chaired by Sir John Megaw.

"A balance has to be struck somewhere between internal management needs on the one hand and the reflection of pay fluctuations in the outside market on the other hand," she writes.

This will please departments such as the Defence Ministry as well as the trade unions.

Under the old pay system, distinctions are made between staff on occupational grounds, even if they are in a similar grade.

"Further refinements in pay distinctions between different groups of staff would make it easier to respond to differences in the pay market and in recruitment and retention of particular skills and disciplines."

However, a reduction in such pay distinctions would reduce the number of occupational grades with the fewer occupational distinctions the more flexibility management has in organising work and deploying staff.

Turkey plant workers reject £7 pay offer

Financial Times Reporter

WORKERS at Bernard Matthews turkey plants in East Anglia have rejected the company's latest pay offer which would have added £7 to the basic wage of £67.71.

Mr Jack Boddy, general secretary of the National Union of Agricultural and Allied Workers, approached Mr Matthews for fresh talks immediately after Wednesday's secret ballot result, the union said.

The strike at the turkey processing plant is in its sixth week. The union is seeking a 15½ per cent increase on the basic wage and a cut in the working week.

In the House of Commons, Miss Joan Maynard (Lab) said the turkey workers were on strike for a "decent wage" having doubled production in the last 12 months.

The strike indicated "the desperation of these people and the fact that they have been trying to live on starvation pay of just over £50 a week."

Miss Maynard, who was speaking during Business Questions, called for a debate on the dispute and a statement from Mr Peter Walker, Agriculture Minister.

Back to work

BRITISH CALEDONIAN baggage loaders at Gatwick Airport, London, will return to work today after a stoppage over the disciplining of a colleague.

Wage dispute halts Tilbury docks

BY IVO DAWNAY, LABOUR STAFF

A PAY strike by 1,800 dockers in Tilbury's general cargo handling area brought the docks to a total standstill yesterday after 800 workers in the container and grain terminals refused to cross picket lines.

The stoppage spread after members of the Transport Union voted by a margin of four-to-three to reject a pay and bonus package worth 6 per cent, with minimum wage rises of £8.

The union's joint negotiating committee, representing members of the TGWU and the National Amalgamated Stevedores and Dockers Union, are demanding pay rises in line with inflation with a minimum of £15 on basic rates and an extra week's holiday.

A mass meeting of TGWU members in the general cargo dock yesterday asked union headquarters to give official backing to the strike.

TGWU and NASDU dockers at the grain and container terminals are calling for similar rises. But they have failed to begin detailed talks with the Port of London Anthority, pending the outcome of the present dispute.

Mr John Connelly, national secretary of the TGWU docks and harbours group, said that the general cargo dockers had rejected the PLA offer after hearing that engineers had received a higher increase for accepting a regrading scheme.

"It could be a fairly prolonged strike," he said.

The stoppage has left both sides with little room for manoeuvre. The final element of the agreed dispute's procedure was exhausted last week when the PLA agreed to go to the national conciliation body, the National Joint Council for the Port Transport Industry.

But when the Council awarded only minimal increases in bonus payments, the unions rejected a settlement.

The PLA said last night: "We have accepted a national arbitratinn recommendation and we are extremely disappointed and coocerned that the unions have not.

"We are also very worried about the prospects for London if the strikes continue."

A long dispute could have serious implications for the PLA which is already under considerable Government pressure to curb losses and return to profit.

The authority is awaiting a response from the Government on its proposals for recovery by the end of the year. But its plans are hampered by the cost of maintaining 500 surplus dockers registered with the port under the National Dock Labour Scheme.

Seamen to accept flags of convenience

BY JOHN LLOYD, LABOUR EDITOR

THE National Union of Seamen, has reversed a long standing policy with a decision to allow its members to crew "flags of convenience" vessels.

The union remains opposed in principle to flags of convenience, but has taken the decision because of the high unemployment rate among its 25,000 members. Some 3,600 seafarers are presently out of work.

The decision was taken by the union's executive earlier this month on an 11-2 vote, despite considerable misgivings that it would encourage UK employers to transfer more of their vessels to foreign flags.

But the NUS is insisting in negotiations that the wages, crewing levels and conditions should meet the standards laid down by the National Maritime Board. Employers wishing to hire UK seafarers must be members of the General Council of British Shipping (GCBS).

Officers' unions have already agreed to crew foreign flag vessels, along with a number of other foreign seafarers' unions.

The NUS has taken a hard line on flags of convenience vessels which pay below minimum rates and offer sub-standard conditions. The union has traditionally asked dockworkers to refuse to work such vessels.

It said yesterday it would continue its opposition to these vessels, and would press for an end to the system. Mr Sam McCluskie, the union's assistant general secretary, said: "There is no question of manning sub-standard vessels."

The GCBS, which is understood to have suggested the scheme, said it was not clear whether it would mean more members transferring to foreign flags. Some might feel that if the same wage rates and conditions applied on foreign flag vessels as on British flag ships, they might transfer back to the British flag.

Nurses step up pay campaign

NURSES' LEADERS yesterday stepped up their campaign for a better pay deal. The Royal College of Nursing, which represents 195,000 members, has written to all MPs pressing them to urge Mr Norman Fowler, the Social Services Secretary to make more funds available. The letter claims that with the proposed increase in charges for lodgings—33 per cent up in some cases—and an effective 1 per cent rise in their National Insurance contributions, many nurses will receive "substantially less than the increase implied by the 6.4 per cent offer."

Peace talks today could end strike at Talbot plants

BY ARTHUR SMITH, MIDLAND CORRESPONDENT

HOPES WERE high last night for an end to the bitter strike which has halted all Talbot's UK car output for three weeks.

The 190 paint shop workers who walked out in protest at management proposals for a temporary cut in their rest time, meet today to consider a peace formula.

The deal was worked out in 11 hours of talks between the management and union leaders, following an intervention by the Advisory Conciliation and Arbitration Service.

The dispute, though it involved only a section of workers at the Ryton assembly plant at Coventry, caused most of the company's 4,000 manual employees to be laid off.

The painters objected to company plans to cut their rest time of 105 minutes a day by eight minutes. Talbot, the UK subsidiary of Peugeot of France, said the reduction was essential in order to switch 16 workers onto the night shift to clear a backlog of cars.

The walkout quickly hit all production of the Alpine, Solara and Horizon models, and caused the lay off of 1,400 other workers at Ryton. The company claimed that the trade unions were in breach of procedure, and refused any talks until the men return to work.

Union officials maintain that the dispute, though seemingly minor, reflected low morale at Ryton. Talbot claims that a 40 per cent productivity improvement at the factory was crucial to Peugeot's decision to invest £10 at Ryton to transfer production of the Horizon model from France.

The paint-shop dispute became more embittered last week, when Talbot laid off workers at the nearby engine plant at Stoke, Coventry. The company said because 150 workers supplying components to Ryton had been made idle, other employees at Stoke were no longer entitled to benefits under the Government's Temporary Short Time working compensation scheme.

About 1,800 Stoke workers have been on short time since before Christmas because of problems with the £150m-a-year contract to supply car kits to Iran.

Even if the Ryton workers accept the peace formula and return on Monday, a question mark remains over the future of hte Stoke plant.

There is concern both within Peugeot and Whitehall at the breakdown of the Iran contract. Talbot hopes to solve

UK NEWS — BANK OF ENGLAND BULLETIN

Rise in interest rates 'would hinder recovery'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE RISE in U.S. interest rates has presented the UK and other developed countries with a choice between two undesirable options, the Bank of England says in its latest Quarterly Review.

They had to accept "either higher interest rates themselves, with harmful consequences for economic growth, or a fall in their exchange rates with harmful effects on inflation."

"Activity in the UK and in some other European countries has, in the past, seemed less sensitive to interest rates than in the U.S. Nevertheless, other countries have been reluctant to match high U.S. rates," the Bank says.

It adds: "With recovery here still in its early stages, any sizable rise in rates would increase the difficulties of companies and tend to make economic growth this year less likely."

Even if U.S. interest rates come down in nominal terms with falling inflation, the Bank believes real rates could remain high as a result of the combination of large federal deficits with a recovery of economic activity later this year.

"In those circumstances, with a tight monetary policy, short-term rates of interest might remain high; and the financing of the fiscal deficit might help to keep up longer-term interest rates.

"It is clear, however, that the U.S. authorities are aware of the disadvantages of high interest rates. They had a sharp effect on activity in the U.S. last year, contributing particularly to the fall in housing activity as well as to the fall in automobile sales."

The Bank has analysed the change in "real" interest rates in seven major industrialised countries for the last decade. It has calculated the approximate "real" short-term rate by subtracting from the three-month money market rate the annual rate of inflation for the year, starting two quarters before and ending two quarters after the period assessed. For a long rate it has used government bond yields less the annual rate of inflation over a two-year period.

On this basis, it shows that UK short-term real rates reached their highest for the period at about 4½ per cent at the end of last year after a low of —12 per cent in 1974. U.S. real rates moved more narrowly, between about 4 per cent and —3 per cent until the end of 1980 when they shot up, reaching about 8 per cent last year.

The Bank says: "Though below their recent peaks, interest rates remain high in most countries, certainly in nominal and probably in real terms."

It believes the general rise of real rates towards the end of the decade suggests that "monetary conditions may be more generally stringent than is, in some cases, indicated by the growth of the monetary aggregates."

It concedes, however, that although monetary aggregates can be a misleading indicator of the strictness of monetary policies "estimated real interest rates are clearly also an imperfect indicator for this purpose."

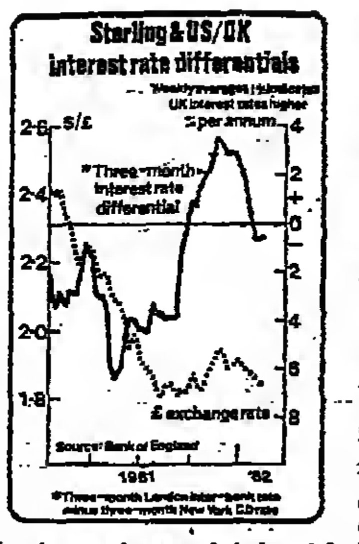
The Bank is still cautious on the prospects for economic recovery in the UK. It records that output increased by about 1 per cent last year after a fall of 6 per cent since 1979. It says manufacturing production was 14 per cent lower in the fourth quarter of last year than it was in 1979, and in January, industrial production fell for the third successive month.

It says: "The recession has accentuated an established trend in manufacturing employment; in the last 10 years or so, such employment has fallen by more than 2m (25 per cent), over half of this in the last two years." Although there had been a similar trend in other countries, the recent sharp decline in the UK was not matched elsewhere.

On the other hand, it believes the recent marked improvement in UK industrial productivity was also not matched in other countries.

In a special section of the Bulletin, the Bank analyses the relationship between trends in productivity and of output in the UK, the U.S., France, Germany and Japan. This shows a consistent relationship in the short term between the rate of change of output and changes in productivity in all five countries in the last 20 years.

The increase in productivity in the UK last year was contrary to the usual pattern. The Bank says: "Despite the sharp drop in output, labour input has fallen even faster, giving rise to substantial productivity gains." It believes one reason for this



is the weakness of industrial profits, which forced the manufacturing sector to achieve cost savings during the current recession by shedding labour as well as cutting stocks.

"This combination of circumstances, at least in degree, has probably been unique to the UK, so that although the labour markets in most other countries weakened rapidly after the middle of 1981, it seems unlikely that the UK's experience will be repeated elsewhere."

The Bank believes that by the end of last year, productivity in manufacturing industry in the UK was about 5 per cent higher than would have been expected from past trends. It rose by about 8½ per cent in 1981 after a fall of 2½ per cent in 1980. This fall, however, was less than would have been expected at a time of such rapidly falling output.

The growth of consumer spending this year, the Bank believes, will depend on a further reduction of the ratio between peoples' savings and earnings, and this might be helped if the inflation rate comes down as predicted. Last year, consumer spending was maintained in spite of a fall of about 3 per cent in real incomes.

However, the Bank says: "This need not mean that people were drawing on their assets. A fall in the saving ratio can reflect borrowing to maintain or increase consumption in the face of a decline in income." It notes that in the fourth quarter there was a rapid increase in consumer credit as well as a sharp rise in borrowing on mortgage. "Some house-owners . . . may have borrowed on the security of their houses in order to finance consumption," the Bank says.

It recalls that on January 20, it asked the banks to ensure that mortgage borrowings were in fact spent on buying a house or improving an existing property.

The Bulletin notes as encouraging, the buoyancy of fixed investment by industry which has been maintained near its peak of 1980, although investment in housing and public services fell sharply. It also notes the 8 per cent rise in exports between the early months of last year and the fourth quarter. However, this has to be set against a 16 per cent rise in imports in the same period.

Exports of goods (excluding services and oil) rose 10½ per cent between the beginning of the year and the fourth quarter. The Bank comments: "With markets abroad growing at less than half this rate, the increase in exports must seem surprising in view of the early loss of competitiveness. But exports were exceptionally low last January and February and early 1980 is a better basis for comparison. Since then, exports of manufactured goods have fallen slightly while markets have grown by perhaps 3½ per cent."

On the other hand, the growth of imports since early 1980 has been much faster than would have been indicated by past trends, the Bank says. "Imports of finished manufactured goods grew by 9½ per cent in volume during the period, despite the fall in domestic demand.

"The implied rise in import penetration since the first quarter of 1980 cannot be fully explained either by movements in competitiveness or by the long-established tendency for imports to rise over time irrespective of changes in competitiveness and domestic demand."

In the fourth quarter of last year, the Bank notes that the surplus on visible trade fell to £600m, rather less than half the rate earlier in the year. "With the contribution from oil probably little changed, the deterioration was entirely on a non-oil account."

The Bank is also cautious on the prospects for an improvement in industrial profits. It says the recovery in the six months to September 1981 was enjoyed to a large extent by companies operating in the North Sea although the gross trading profit of other companies rose by more than 5 per cent to regain the level of a year earlier.

However, for companies not operating in the North Sea, the improvement follows a decline of the share of their gross trading profits in domestic income from 10½ per cent in 1979 to 7½ per cent in the six months to March 1981. The real profitability of companies (excluding North Sea operations) fell from 5 per cent in 1979 to barely 2 per cent early last year. This compares with real profitability of about 10 per cent in the 1960s and early 1970s.

The Bank says: "At recent levels and allowing for tax, profitability on existing assets is substantially less than the real cost of finance."

The Bank says that in spite of the improvement in profits, the liquidity of companies appeared to deteriorate because they were no longer running down stocks towards the end of last year. The latest evidence suggested that companies were continuing to borrow heavily.

The Bank says: "Although a further improvement in the profitability of industrial and commercial companies is in prospect, with a further rise in the share of profits in income, there could nevertheless be some further deterioration in their financial position as expenditure on stocks and fixed assets recovers."

Surpluses fall as oil exports collapse

By Robin Pauley

THE COLLAPSE in demand for oil by industrialised states resulted in the oil exporters' current account surplus falling by two-thirds from its peak in the first half of 1980 to the second half of 1981, according to the Bank's Bulletin.

Revenues of oil exporters fell by one-fifth in dollar terms between the last quarters of 1980 and 1981 as a result of a fall in the volume of exports of about 25 per cent and a rise in oil prices of only about 4 per cent.

Over the same period exporters experienced a rapid rise in their import bills and a number of them are now running substantial deficits.

The other side to this equation is the position of the industrial economies of the Organisation for Economic Development member countries. The combined deficit of the six major overseas economies—U.S., Canada, France, Italy, Japan and West Germany—was almost eliminated after the first quarter of 1981. The most significant current account improvement was in Japan which achieved a surplus of nearly $5bn (£2.76bn) last year, due largely to its highly competitive position.

West Germany's position did not begin to improve until the second quarter of 1981 but it achieved its first surplus in three years during the third.

Efforts by non-oil developing countries to reduce their deficits on current account in the same period largely failed. Their efforts at import restraint being cancelled out by a worsening in their trade terms and rising interest payments.

The cash surplus available for investment by the oil exporters was about $20bn in each of the first three quarters of 1981 with the effect of the falling current account surplus being offset by external borrowing.

The Bank's review of currencies for the four months to the end of February shows the extent to which sterling largely rode out the volatility caused by the crisis in Poland, U.S. interest rates, devaluations within the European Monetary System (of which sterling is not a member) and the fall in oil prices. Sterling opened in November at $1.88 and closed in February at $1.82.

The UK official reserves rose by $57m to $23.37bn in the four months and after allowing for some changes in repayment and borrowing patterns the reserves showed an underlying rise of $316m.

The Bulletin also charts the continuing collapse of the gold price during the same four months. The price failed to rise in response to the fall in U.S. interest rates in November. The resulting heavy selling took the price under $400 on November 17. With only occasional attempts at recovery, gold continued to slip downwards to close in February at $362.60, a fall of $64.40 in four months.

Eurosterling market slackens

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

GROWTH of the Eurosterling market has slackened since the corset restrictions on domestic lending by UK banks were lifted in June 1980, according to the Bank's Bulletin.

Outstanding business amounted to only £11bn in September last year, representing less than 2 per cent of the total Eurocurrency market and only about 10 per cent of the total sterling assets and liabilities of banks in the UK.

But the Bank says the character of the market has changed significantly since the abolition of exchange controls. Now it should be regarded as little more than an extension of the domestic market.

In particular, it says that the interest rate differential between the Eurosterling and the domestic market has almost disappeared since the end of exchange controls and the corset. Previously, Eurosterling rates tended to be higher than domestic rates.

In this respect, the market is different from offshore markets in dollars and D-marks. Domestic reserve requirements in these currencies encourage the use of the Eurocurrency, the Bank says.

Eurosterling deposits by UK non-banks at the end of last September were only 1.4 per cent of sterling M3, and their borrowings in Eurosterling amounted to only 1.2 per cent of sterling credit extended to UK non-banks by domestic banks.

There has been much greater growth, the Bank notes, in UK non-banks foreign currency deposits with UK banks, which are part of the wide monetary aggregate, total M3.

Elsewhere in its section on international banking, the Bank says that over the past two years the flow of repayments in the syndicated credit market is expected to grow in the immediate future.

The high volume of balance of payments financing arranged in the aftermath of the 1973-74 oil shock is now falling due for repayment, it says.

The bank seems unruffled by fears expressed b ysome commercial bankers that the recent decline in oil prices will lead to a contraction in Euromarket liquidity.

Past contractions of the Opec surplus have been accompanied by a reduction in new deposits by Opec members in the international banking system, but industrial countries have then quickly reverted to their traditional role of exploiting capital to developing countries, it says.

But the bank adds that the payments deficits of developing countries are now expected to persist for longer than after the first oil shock.

It also notes that U.S. banks ceased to be net capital exporters in the third quarter of last year, although it is too early to know whether this will have any long-term significance.

Monetary controls 'have mixed effects on banking'

BY WILLIAM HALL

THE DIFFICULTIES of relying excessively on direct controls by banks as a means of influencing monetary trends are highlighted in an article on the supplementary special deposits scheme (SSD), known widely as the "corset."

The scheme was a system of direct controls on the sterling operations of UK banks and imposed penalties on institutions whose interest bearing eligible liabilities (essentially interest bearing special deposits) grew faster than the prescribed rate. The scheme was sctivited on three occasions, from December 1973 to February 1975, from November 1976 to August 1977, and from June 1978 to June 1980.

The Bank says that in all three cases it is impossible to know what would have happened to monetary developments if the corset had not been imposed.

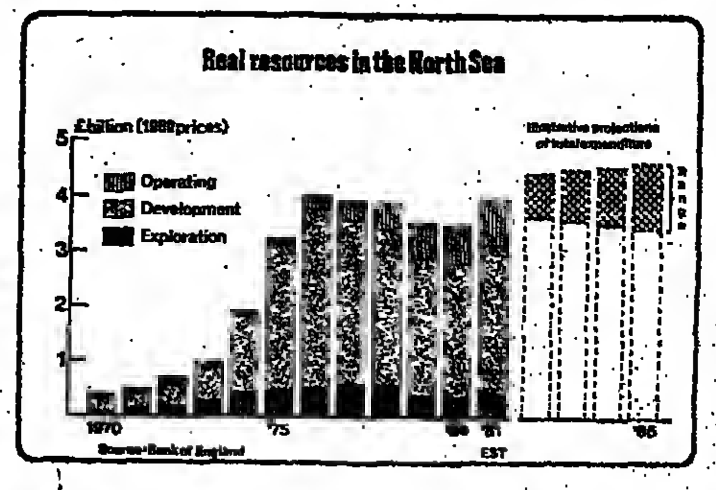
It believes that the scheme, which was first introduced in 1973, was "largely effective in inhibiting round tripping and containing the growth of wholesale deposits. Round tripping is a process where banks borrow in one market and redeposit in another at a higher rate of interest.

"During the first, second and early part of the third corset periods, few SSD penalties were paid and the scheme does seem to have restrained the aggressiveness with which banks bid for wholesale deposits. The scheme may also have helped to improve sentiment in the gilt-edged market, thereby influencing the monetary aggregate indirectly."

However, the Bank says that the extended use of direct controls raises "its own problems." Permanent or semi-permanent controls almost inevitably give rise to domestic and, if allowed, offshore disintermediation where banks conduct business in such a way that it does not appear on the balance sheet.

Such controls can compensate to only a limited extent for the weaknesses in the use of conventional instruments of policy interest rates, debt sales, and budgetary adjustments.

Temporary controls may be less likely to induce disintermediation but they suffer from anticipatory behaviour by the banks which in turn distorts the interpretation of the recorded aggregates. The greatest danger can arise when an ostensibly temporary scheme is retained for an excessively long period because of fears about the consequences of ending it.

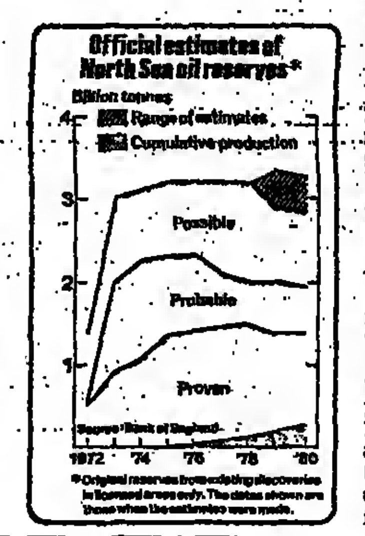


THE BANK argues, in a special article, that the increase of North Sea oil production should not be seen as a reason for a contraction of the UK's industrial base.

It believes the UK's move to oil self sufficiency played only a small part in strengthening sterling in 1979 and 1980.

The Bank calculates that the real cost of North Sea Oil in 1980 was about £35 per tonne compared with £23 for imported oil in 1973-74.

Consequently the UK's real disposable income has been reduced more by the rise in oil prices than it has been increased by the discovery of its own oil.



Operating techniques changing

THE Bank of England has changed a number of its operating techniques in the money markets during the past 18 months and an article, The Role of The Bank of England in the Money Market, details the way it now goes about its business.

The Bank maintains running forecasts of the money market cash position—daily for several weeks ahead, and on a weekly or monthly basis over a longer horizon. These forecasts estimate the likely level of the London clearing banks' operational balances at the Bank.

By relating these projected balances to the clearing banks' targets for their closing balances each day, the Bank produces forecasts of expected surpluses or shortages.

The Bank releases its first forecast at about 9.45 am each day. It then decides, shortly after midday, whether to operate in the money markets.

Before lunch, the Bank normally acts only to relieve a shortage. At this stage, dealings are confined to operations in bills with the discount houses.

The transactions are made public. Then at 2 pm the Bank publishes any change in its estimate of the market's position for the day.

If there is a surplus, the Bank usually acts to absorb it only in the afternoon. To do so it invites the discount houses and clearing banks to bid for Treasury bills.

The Bank cannot avoid involvement in the money market and so in the determination of interest rates.

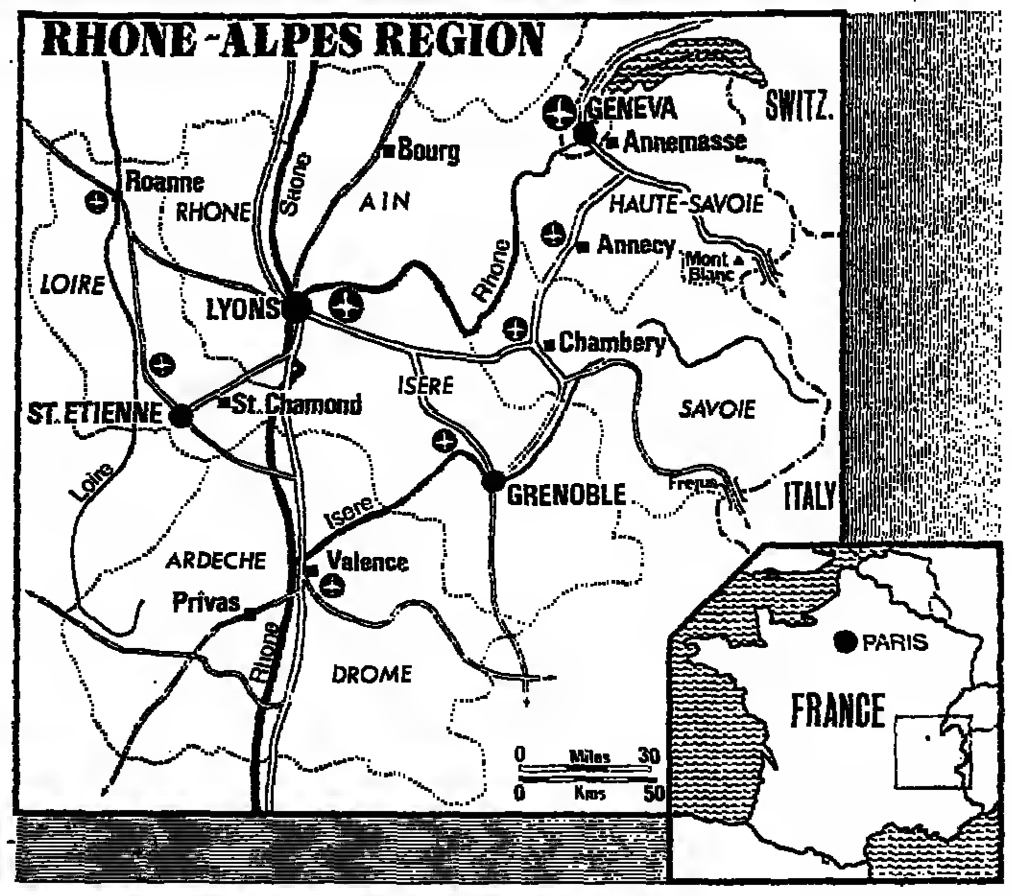
The article says that "the authorities have in fact chosen to exercise substantial influence over very short-term interest rates as a positive element of economic policy."

FINANCIAL TIMES SURVEY

Friday March 26 1982

Rhône-Alpes

The impact of the recession is being strongly felt in the diverse and traditional industries of the Rhône-Alpes region. At the same time, new businesses are still being created in the area as fast as the older ones are closing down.



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Mood of optimism despite problems

By Terry Dodsworth

IT IS not hard to find signs in Lyons of the economic crisis that is sweeping over the rest of Europe. But it is not easy to discover local businessmen who take their problems as grimly as industrialists in the rest of France.

"They are more buoyant here, more optimistic; much more confident that they can find answers to the slump," says one of the growing band of international bankers in the city.

This optimism is characteristic of Lyons' notoriously independent local spirit, a sort of Yorkshire cussedness translated to an equally provincial part of France.

For the average Lyons businessman, *conservative*, bourgeois, and distrustful of Socialist management, 1981 was a very bad year. It saw the election of the first left-wing Government in France for 25 years, and it also saw the slump catch up with the area with a vengeance. But they are determined not to be downcast.

Until mid-1980, the Rhone-Alpes region that *fans out* around Lyons had managed to ride out the worst of the present economic storm. Thanks to the area's diversified industrial base, along with a steady stream of foreign investment and a vigorous services sector, the unemployment problem had been kept in check. Although industry and agriculture were shedding about 19,000 jobs a year on average in the latter half of the 1970s, around 25,000 were being created in the tertiary sector. The net 6,000 new jobs a year helped to soak up some of the growing pool of school-leavers.

When the crisis broke last year, however, it hit the Rhone-Alpes harder than the rest of France, *pushing up* unemployment by 29 per cent against the national average of 25 per cent—though it is still only 7.8 per cent against the national average of 9.5.

Shake-out

This increase was partly caused by a slow-down in the service industries, which generated only about 10,000 new jobs. But it was also caused *by an acceleration* of the shake-out in manufacturing.

After affecting mainly the big companies in the late seventies, this cut-back began to bite more deeply into the small and medium sized sub-contractors that are at the *heart of the region's prosperity.* For the first time, the blight of decline began to spread beyond *traditional problem areas such* as the textile and leather industries, or the coal and armaments *blackspot at Saint-Etienne.* In the mountains of Haute-Savoie, for example, where the valleys shelter a lot of small-scale precision engineering, unemployment shot up by 33 per cent last year.

This employment slump was mirrored by a fall in investment—down by about 10 per cent in real terms last year, according to the Prefecture. For the last two years, the Rhone-Alpes region has reduced capital spending to such an extent that it now saves more overall than it invests, a sure sign of flagging business.

What investment there was tended to be in productivity improvements, thereby aggravating the jobs situation. Semi-official figures suggest that around another 30,000 jobs could go in industry over the next two years, out of a total industrial labour force of around 810,000.

The continuing optimism in the Lyons business community may be partly because the recession has not gone too far yet. But it is also the reflection of a deeply-rooted entrepreneurial sense, which has given the region a tangible get-up-and-go vitality.

According to the local Chamber of Commerce and Industry, new businesses are still being created in the area as fast as old ones are closing down, at *the rate of about 300 a year.* "Apart from Paris, we are the only part of France that has a *diversified industry to support* us," says M Dominique Nouvellet, head of Siparex, a local *investment fund.*

This variety of companies leans on a flourishing agricultural hinterland, famed for its Beaujolais vineyards, and on 2,000 years of history that have seen Lyons evolve from the capital of Roman Gaul, to become, successively, a banking centre, the heart of France's silk manufacturing, and one of the cradles of the country's nineteenth century industrial developments.

Dynamism

Although Lyons remains very provincial in some ways, secretive about its considerable wealth (the top families are said to register their Rolls-Royces in Paris or Geneva), and wrapped up in a food cult that has made it the gastronomic mecca of France, these cumulative changes have left the region with the reputation for outward-looking dynamism.

M Raymond Barre, the former Prime Minister, who is now a local deputy, seems to fit Lyons perfectly, with his odd mix of personal bonhomie and sombre gravitas about the serious business of getting France to work.

In recent years, local industry can point to a wide variety of fresh growth, from new health research laboratories to the sort of initiative that created the Skis Rossignol ski company, the Majorette toy car manufacturer, or the Ecco private employment agency, *claimed to be one of France's* largest.

"In this region we are in a process of cumulative development. Researchers are creating new products, universities producing highly-skilled personnel, and enterprises using the two of them to generate wealth," says M Nouvellet.

Siparex itself is an example of local initiative, deriving from soul-searching among business leaders on the need for equity capital to support the region's growing medium-size companies. Several Paris-based bankers were sceptical, but it is now involved in 25 companies, is making a profit, and has drawn together a mixture of shareholders in its own capital that includes four foreign financial groups.

In addition, there is evidence that the efficiency drive throughout the area is beginning to pay off in higher competitiveness and stronger trade. The Rhone-Alpes external trade balance actually improved last year, with the surplus rising to FFr 4.5bn ($750m) against FFr 2.6bn in 1980, exports to West Germany were particularly healthy.

Yet, despite these signs of vigour, the question of the region's ability to insulate itself from the international recession *remains open.* To a large extent, and probably to the dismay of many local employers, the answer to this may depend on the newly-nationalised companies. They control a large slice of local industry, an ironic reminder that the capitalist drive of the region has created just the sort of industrial leaders that a left-wing *Government sees as essential* to the future of the country.

Rhone-Poulenc, Pechiney Ugine Kuhlmann, CGE, Thomson-Brandt and Saint Gobain, all the big five industrial "nationalisables" *are present in the Rhone-Alpes.* Along with the traditionally nationalised sector, which *includes RVI, Renault's commercial* vehicles subsidiary, and the Atomic Energy Authority, State companies are reckoned to account for about 20 per cent of the region's employment, and 50 per cent of investment. Their future will have a clear impact *on the health of a myriad of* supplier companies.

Although it is clear that the Government wants to pump money into investment by way of these groups' it is by no means certain as yet how this will affect operations in the Rhone Alpes. What can be said is that a substantial part of the slimming of these groups *has already taken place*—PUK has recently reorganised some of its plants, and Rhone-Poulenc and *RVI* pushed through draconian cuts.

While some observers suspect that union pressure could prevent the final flourishes being put to *these projects* these companies ought to be emerging in better shape. If so, the *Rhone-Alpes* region can only rejoice. If not, companies seem confident that they can rely on their own stubborn business talents to see them through.

"People are good managers here," says a banker. "They are hard working, serious, a bit *suspicious of Paris,* but they get what they want and they enjoy life. This is why they are fond of M Barre—he's rigorous, but he's also short, round and likes his food."

David White looks at the industrial reorganisation of a region where traditional sectors are giving way to a range of new activities

The spirit of innovation lives on in dynamic local companies

ONCE UPON a time there was a family silk business in the best Lyons tradition. After the war it built up a sideline in technical fibres. At the end of the 1960s the brothers who inherited the business went separate ways, and split the company in two. One company is still in silk, but has been outgrown by the other, which supplies woven glass-fibre parts for some of the most sophisticated products of the world aerospace industry.

This company, Brochier, still little known although it made the tip of Concorde's famous nose, exemplifies the industrial renewal which has been taking place in and around France's second industrial city. Key sectors such as textiles, metal-working, motors and engineering have suffered, but new industries have been able to give the region a relatively high degree of resilience and to slow the slide—evident here as in the rest of the country—from the industrial to the service sector.

New industries rub shoulders with the old, and the innovative spirit which laid the basis of industrialisation in the region—in steel, textiles and hydro-electricity—is perpetuated by a bandful of dynamic locally-based enterprises, ranging from Crouzet in electrical and aircraft components to Majorette, model-car specialist and star of Lyons' small stock market.

New companies have not managed to absorb all the lost jobs—far from it. The region, considerably more industry-based and less agricultural than the French average, has been losing industrial jobs at a net rate of 15,000 a year, most dramatically in the Loire region. This area has been impoverished by the decline of the textile factories of Roanne and the coal and steel region around Saint-Etienne, a town which has been a centre of the firearms business since 1516, and which has a highly-qualified workforce but lacks the replacement industries that act as a "motor" in the rival city of Lyons.

Despite this, the region is in much better shape industrially than the north of Lorraine. Big groups dominate—a quarter of the industrial workforce is shared by eight employers—but these are not concentrated in single sectors. The Empain-Schneider group, for example, consists of the problem sectors of Creusot-Loire in the Loire, but also has the successful Merlin-Gerin electrical engineering business, Grenoble's largest employer. Whereas in Lorraine there are few medium-sized companies filling the gap between the big boys, and the vulnerable small companies, the Rhône-Alpes region has a large reserve of medium-sized enterprise and a geographically well-spread sub-contracting network.

Although two-fifths of the region's population is concentrated in the three towns of Lyons, Grenoble and Saint-Etienne, a number of smaller industrial centres have managed to hold their ground. Villefranche-sur-Saône, for instance, is so close to Lyons you would expect it to be just a commuter town, but in fact it is quite autonomous.

This autonomy is all relative. The businessmen of Lyons are keen to demonstrate how much industry is truly based in the region, how much decision-making is done there and how decentralisation has little to offer that they do not already have.

It is true that several of France's major groups have their origins in the area—Rhône-Poulenc in chemicals and fibres, the BSN-Gervais Danone food and glass group, and to a large extent the Péchiney Ugine Kuhlmann metals group. But over the year these companies, like the Crédit Lyonnais bank, have moved their headquarters to Paris. In many cases the bigger local companies have been taken over by national groups—the Berliet lorry factory by Renault, Institut Mérieux's vaccine laboratories by Rhône-Poulenc, Calor electric irons by the growing white goods empire of Seb, and Paris-Rhône by the Ferodo car parts group, now renamed Valeo.

Top management

Some top management jobs have stayed in the region or been moved back. Rhône-Poulenc, for instance, has several department chiefs there. CGE's cable subsidiary Câbles de Lyon remains true to its name, and Renault trucks—the region's most successful exporter, despite its current market problems and production cutbacks—has kept its Lyons base.

Usually the top man is in Paris. The airbuses and high-speed trains to and from the capital are filled with executives. Rare are the occasions when a reporter in Paris really needs to telephone a company in Lyons. Even genuinely regionally-based companies like Skis Rossignol tend to prefer to list their stock in Paris rather than Lyons.

Nationalisation, which promises an unknown quantity in terms of reorganisation of the region's chemicals, textiles and metals industries, seems more likely to reinforce the hold Paris has rather than the contrary.

Before the Government's recent, wide ranging state takeover programme, the public industrial sector was already strong in the region, with 54,000 employees in oil, chemicals, nuclear power, arms and tobacco. This has been increased by a further 73,000, which means that one in five industrial workers—excluding the building industry—works in the state sector.

These jobs are not only in the big groups with historical bases here—in Rhône-Poulenc and Pechiney—but also CGE and its power engineering offshoot Delle-Alsthom and the Thomson group with its electronics subsidiary Thomson CSF, which employs 4,400 people in electronic tubes, components and mini-computers in the Grenoble region alone.

The irony of this is that nationalisation hardly touches the parts that are in the greatest need of surgery, the Loire and Ardèche departments. The Loire's biggest companies, such as BSN-Gervais Danone and Créusot-Loire, fall outside the nationalisation programme, and the Ardèche has never attracted big companies. Unemployment in these areas, which enjoy Government investment incentives that the rest of the region does not get, is around 12 per cent compared with 7 to 9 per cent elsewhere.

The centre of political battles in Communist-ruled Saint-Etienne, is the long-established Manufrance group, a pioneer of the mail-order business which built up a reputation for guns, bicycles and sewing-machines. It is still in difficulties after repeated attempts to rescue it, this time as a workers' co-operative. Local politicians are pleading once more for State funds, or nationalisation. While Lyons optimistically believes it has the means for its own salvation, the proud Stéphanois of Saint-Etienne have little reason for cheer other than the green-jerseyed heroes of their football team.

Grenoble, the city at the crossroads of the Alps, is a popular centre for national congresses and conferences

Residents relaxing in Old Lyon which forms a remarkably large "Renaissance" district on the banks of the River Saône. A steady programme of restoration is being carried out in the old part of the city

CASE STUDY:
RHONE-POULENC

Slimming plan seen as pace-setter

RHONE-Poulenc is a case apart in the Rhone-Alpes textile industry—heavily capitalised, mass production synthetic fibres company that is a world apart from the craft trades of the rest of the sector.

Because it is such a big, concentrated organisation employing a large chunk of the local labour force, its decline has attracted enormous attention. Since the mid-1970s, Rhone-Poulenc Textiles has been fighting a losing battle against lower priced foreign products and the beavy costs of its basic raw material—oil.

The group reacted to its problems with a massive streamlining plan. This was designed to concentrate its product line mainly on two relatively high quality areas—nylon and polyester yarns—while cutting overheads through closing factories and trimming the labour force.

Launched in 1977, and fought tooth and nail by the unions, the plan is now substantially complete. The group's rambling geographical structure has been re-organised, with jobs slashed from around 8,300 in the Rhone-Alpes region to 3,200, and FFr 1bn of new investment poured in. It is hoping to break even this year, if not to make a profit.

In some ways, Rhone-Poulenc's slimming plan was a pace setter in France.

Rather than continue to support burdensome losses in textiles (about FFr 4.3bn between 1976 and 1980) the company decided to spend heavily on severance payments to workers. No-one was sacked. Jobs were cut back by natural wastage; and the company embarked on a novel scheme to attract new industry to the disused factories.

This policy, however, has attracted no plaudits from the trade unions. The CGT, the Communist-led union, attacked the company for abandoning entire product lines to the U.S. or other overseas competitors.

The Government's immediate reaction to the critics has been to give a vote of confidence in the handling of the textile division, undoobtedly one of the most tricky problems facing French industry in the last few years, by re-appointing M Jean Gandois as chairman of Rhone-Poulenc.

But will he now, as a nationalised chairman, push through the remaining 600 or so job losses originally scheduled in the Rhone-Alpes region?

T.D.

THE region offers a rich variety of old-world attractions for the visitor, although not too many would want to reside on the edge of a river-ravine (left) in the picturesque town of Pont-en-Royans, which is located about 40 miles south-west of Grenoble.

The main street of Pont-en-Royans, Grande Rue, winds its way between the mountains on one side and the River Bourne on the other. The stone arch bridging the river — popular with anglers — is 132 ft high.

The Rhone-Alpes region has more than 1,200 villages which appeal strongly to visitors seeking country holidays. Other tourism attractions, in addition to more than 50 ski resorts, are more than 3,500 hectares of water sites, offering yachting, sailing, water skiing and wind surfing.

Textile sector struggles to find a new means of survival

"WHEN I was a lad," says M Jacques Valette, head of Beaux-Valette, "every street on my way to school was filled with the clackerty-clack noise made by the old weaving looms. There were about 3,000 working then, four stories to a house. Now we have only 250 left in the whole of Lyons."

The Lyons artisans, creators of the silk working industry that established Lyons' fame and prosperity in the 16th century, used to be at the centre of an industry fanning out from the city to take in an enormous variety of textile manufacturing.

Their decline today mirrors the collapse of the textile sector throughout the Rhone-Alpes region. According to union figures, about 250 factories have closed and well over 20,000 jobs have been lost over last 8 years as the industry sought to retrench in the face of cheap imports and stagnating home demand.

The response to this crisis has beeo as complex as the industry itself. Some companies have reorganised, merged, or been taken over by foreign groups; others are diversifying, investing and seeking out new markets.

From amidst this variety of reactions, two main trends are emerging: either to move towards high added value, up-market products, or to develop new materials, working, for example, with glass and carbon fibres for industries that were not traditionally connected with textiles.

M Valette belongs unquestionably to the first school. Inheritor of a family business which, be says, "has had plenty of ups and downs over the last 110 years," he decided to plunge into exports when he first took over seven years ago. Now, Japan, Saudi Arabia, Britain, Italy, the U.S. are all part of his annual itinerary.

This emphasis on marketing and exports is also reflected in the decision of the Lyons industry to get together seven years ago to co-ordinate design ideas annually. The aim of counteracting the vigorous international expansion of other high fashion countries—particularly Italy—seems to have made an impact. But the plan, and the further development of Lyons, is now running into problems because of the run-down and disinvestment of the last 10 years.

M Valette believes that one of the answers to this problem may be to form co-operatives sharing work and risks—an idea of industrial organisation which is currently highly fashionable in France.

His predicament shows the nature of the problem. Working mainly in silk (which now, in fact, accounts for only 5 per cent of total Lyons manufacturing), he operates in the traditional Lyons manner as a creator and marketing specialist, putting his designs out to fabricators.

"The problem is that both the men and the machines are disappearing," he says. "I can't produce some of the designs I would like to have made because the equipment is no longer available."

Unitex, the trade association which brought togather the industry in its new marketing drive, says that the next step is to tackle the investment gap.

"We need to invest to develop higher qualified technicians and sales forces, and we have to invest in new machines as well," says M Bernard Dupasquier, head of the association.

The investment theme is undoubtedly one that will not go unheard by France's Socialist Government: one of its main targets since last summer has been to mobilise private industry—particularly in depressed traditional sectors—in a big new capital expenditure drive.

At the same time, it coincides with the second aspect of the Lyons industry's development into new prodncts for the building industry, aeronautics the car industry and even space. Several companies have recently benefited from aids from ANVAR, the technological development agency.

The question is whether this change can be pushed through quickly enough to save the industry that is left in the region.

"It is not exaggerated to say that the Rhone-Alpes textile industry is able to make anything. All the more reason that it should pursue the markets and the means of financing investments and innovation," says Unitex.

Terry Dodsworth

Seeking an image for the region

THE LATEST brochure being printed for the benefit of would-be foreign investors in the Rhône-Alpes region shows Paris as just one of the many European outposts within easy reach of Lyons, the hub where all air routes are seen to meet. The brochure goes to great lengths to avoid using the word France.

This is not because of any separatist aspirations, unpatriotic feelings or claims of southern Frenchmen to a different culture: one thing that can be agreed about the vaguely defined region known as Occitanie is that it stops short of Lyons. The point is that local business leaders are anxious to prevent any reticence there might be about the French economy under Socialism rubbing off on them.

"The Rhône-Alpes region," said a top official at the CRAI, the reception centre for industrialists run by the local chambers of commerce, "is the Rhône-Alpes region and it's not quite the same thing as France."

The CRAI is working on the region's image as a strategic centre for companies' European operations in order to keep up the momentum of foreign investment, which provides an important stimulus to the local economy. There are more than 120 foreign companies, which have helped to create some 60,000 jobs, and foreign-controlled interests are reckoned to have 10 per cent of the region's industrial assets.

After the U.S.—which as in the rest of the country has a predominant place among foreign Investors—come Swiss and West German companies, followed by a relatively modest British presence, accounting for less than an eighth of foreign-owned assets.

Investment

Although there were marked signs of hesitation following President Mitterrand's election last May, investment seems to be flowing again.

Hewlett Packard, the U.S. computer group, which employs 800 at an export-oriented plant at Grenoble, is going ahead with a site at the new town of L'Isle d'Abeau, joining companies like Gillette and Black and Decker as one of the handful of foreign companies which have a significant presence in the region.

In general the major projects in sectors like the motor industry have gone elsewhere. The top 20 employers in the region include just a couple of foreign companies—Caterpillar, which is the main exception to the rule with its big plant near Grenoble, and Gerland, a flooring materials specialist based in Lyons, in which the BP group has a minority interest.

In many cases the foreign companies have come in via takeovers, but some high technology enterprises have been set up from scratch in the region.

The selling points are not so much regional incentives—several have received no aid at all—as the region's resources in qualified manpower, services and transport.

Dow Corning, the U.S. silicone producer, was among the companies to forego financial aids—although it says it received strong backup from local organisations—when it opened a Lyons regional sales base a year and a half ago, transferring responsibility for part of southern Europe and Africa. Dow says it came above all for the office and transport facilities.

The advantages Lyons boasts of—the international flights at its Satolas airport, the quick new TGV rail system, the motorway network, the banks, its two international schools—tend to pale when compared with Paris. But, as one foreign company manager said: "There is less stress here. I think people may work better."

D. W.

The 50,000 acres of vines in the region annually produce from 110m to 120m litres of beaujolais, for which the British and Dutch are big importers. Above: the current vintage has been well-received in the Paris bistros

Regional bankers await Government's next move

THE SOCIALIST reforms that are sweeping across the French banking system have already claimed a victim — or prize — in the nationalisation of Societe Lyonnaise, the Rhone-Alpes' largest private bank. But this takeover may only be a preliminary skirmish. What everyone is waiting to see now is how the reorganisation advocated by the Government changes the way banking is done in Lyons.

Lyonnais bankers themselves see little need for alterations. Partly because of their streak of regional independence, partly because of their comfortable bourgeois distrust of Socialism, and partly out of pride in their own achievements, the local bankers dismiss many of the Government's arguments. In Lyons, they say, they have already done most of the things that the Administration claims to be necessary to get France moving again.

This point was put succinctly the other day by M. Jean Carriere, the newly-appointed chairman of the recently-nationalised Societe Lyonnaise. "Perhaps," he said, "the nationalised banks will now have to take slightly different risks. The Government has a particular interest in small and medium size companies. But the Societe Lyonnaise was always active in that field and will, no doubt, be one of the banks whose policies will not have to be greatly changed."

Although the Government is still formulating detailed plans for its banking reform, the essence of its policy is already clear: it wants to make the financial system more sensitive to local industrial needs, both by a more positive direction of credit, and by decentralising the big banking groups.

Banks will be asked to take more risks, or at least accept longer-term profit criteria in industries which are regarded as strategically important for France; and some regional banks may be created.

On both of these issues, Lyons has a ready answer. First, bankers point to the strong and diversified industry in the Rhone-Alpes area as proof that they have nourished enterprise wherever they have found it. Secondly, the region already has an enormously variegated financial structure made up of some 60 registered banks and a number of specialised organisations. These include:

Independence

- The big State-owned groups, BNP, Credit Lyonnais and Societe Generale. BNP, in particular, has put great emphasis on local independence in recent years.
- Two regional groups, Societe Lyonnaise and Banque Veuve Morin-Pons. Societe Lyonnaise, linked to the federalised CIC group, was the sixth bank on the Government's recent nationalisation list, coming just after the big Paris groups.

It has a branch network through the Rhone-Alpes deposits of about FFr 15bn ($2.5bn) and made profits last year of about FFr 56m. Morin-Pons acquired recently by the West German Dresdner Bank, is known as the "textile" bank, with branches mainly in Lyons and Paris.

- A foreign banking community of 12 groups, including the Dresdner, Neuflize Schlumberger Mallet, Barclays, International Westminster, Grindlays, Standard Chartered, Chase Manhattan, BCT-Midland, Banco di Roma and a group of Spanish and Portuguese banks.
- Branches of the big French private and merchant banks that have now been nationalised — such as Paribas, Suez, CCF, Worms, Hervet and Credit du Nord.
- A dense network of the mutualist banks which, under the French system, have special tax privileges and often serve a specific clientele. Credit Agricole, the "farmers' bank," for example, has its biggest branch in Lyons, while the Banques Populaires have four big departmentally-based organisations in the region.
- A number of international accounting groups, mainly serving the multi-national industrial companies.
- Finally, the region has branches of all the main institutions through which the State channels aid to industry. These include the largest regional branch of Credit National, which puts money into big groups, CEPME, which finances small and medium sized companies, and a regional development financing body for small businesses.

Armed with this panoply of institutions, the Rhone Alpes region is confident that it has already, in the words of M. Henri Moulard, general secretary of the Societe Lyonnaise, "every necessary means of intervention."

But it is still watching anxiously for the Government's next move.

Terry Dodsworth

SIPAREX: AN INNOVATIVE INVESTMENT FUND

"A LOT of banks in Paris believed we would fail. They were surprised we succeeded," says M Dominique Nouvellet, managing director of Siparex, a four-year-old Lyons-based investment fund.

Siparex is a striking example of Lyons' innovative commercial sense. Formed to help finance expanding medium-size companies, its launch owes a great deal to local initiative which saw the funding need and decided to plug the gap. Yet the company also responds to the growing cry—started under the last Government and continuing under the Socialists—for more risk capital.

The financing gap that Siparex fills, says M Nouvellet, lies among companies that need between FFr 1m and FFr 5m.

Below a turnover of about FFr 50m ($8.3m) a year, companies can find funds with the regional development agencies. But above that size, entrepreneurs are often looking for capital to tide them over until they are big enough to seek a quote on the Bourse, or for a way of releasing some of their own funds tied up in the business. They are also frequently over-indebted: equity funding is thus doubly important at a time of high interest rates.

Siparex also offers neutrality and a wide range of contacts to the companies that take its finance. It deliberately avoids the investment banking technique of putting its own man on the Board, and it keeps its own capital widely dispersed so that no individual organisation controls it.

This approach is designed to allay the fears of outside interference which are so prevalent in French small businesses, and which to some extent explain the hesitancy of demand for equity capital.

Yet, at the same time, Siparex has shareholders that can advise rising small companies, including big industrial groups like Saint Gobain, Renault or Michelin, the big banks or foreign investors.

Four foreign groups—the State of Kuwait, the ICFC investment company of Britain, the Dresdner Bank of West Germany, and Union Banque Suisse—currently have a 21 per cent holding in the company.

T. D.

Beaujolais: the area's best-known product

"IT IS better to stick your nose," goes an old Lyons proverb, "in a glass of Beaujolais, than in other people's business!"

The growers of Beaujolais—the region's best-known product, a position envied by their counterparts in the more varied Côtes-du-Rhone vineyards the other side of Lyons—feel much this way about the Government's proposal to set up a national Wine Office. They know, they say, how to run their own affairs.

Beaujolais' popularity often makes it unpopular with critics, who denounce its quality and methods and the patent discrepancy between the quantity of Beaujolais labels in the world and the region's wine-making capacity.

But M. Gérard Canard, director of the Union Interprofessionelle des Vins du Beaujolais, is anxious to point out that there really is a lot of it. Year in year out these 50,000 acres of vines yield 110m to 120m litres—more than half the total production of Burgundy.

"With a million hectolitres to sell, we don't have to fabricate it. It's an achievement selling it all."

Each year sees a sprint to get Beaujolais nouveau — produced by an accelerated vinification process—on to the market, between November 15 and December 15.

Big buyers

The British and Dutch are big clients for this war-like operation, which last year involved 33m litres, all of which subject to inspection before being allowed to leave. The trade, which has another 11 months of the year to work in, is understandably not pushing this side of the business too hard.

The remainder — which goes mainly to the Paris and Lyons restaurant trade and to the Swiss and German markets bead of Britain and the U.S. — falls into 11 appellations: straightforward Beaujolais, the sturdier and dearer Beaujolais-Villages and nine crus.

The first two, which account for all but 23-28m litres, have to compete with generic Bordeaux wines and Côtes-du-Rhone.

Prices are unfavourable, and have gone up 20-25 per cent at wholesale level this year. But M Canard believes Beaujolais can keep its market because of its distinctiveness—stemming from the unique white-juiced Gamay noir grape, which, he says, also makes it harder to imitate well.

He claims average quality has improved over the years; 1980's wine was not good, but 10 years earlier under the same conditions could have been awful, he says. Compulsory tasting has been brought in in the last two years.

The Union is working on educating its clientele to the finer points of Beaujolais. A network of wine-tasting cellars is available throughout the region, with the distinction that you generally have to pay.

"If not," says M Canard, "people would just come to get drunk." It would be intolerable." One of the qualities of Beaujolais, more quenching than other wines, he explains, is that people tend to finish the bottle.

David White

The major share of the tourism business is on the ski slopes. The region claims the biggest ski area in the world. There are 1,200 ski lifts, serving 1,800 slopes which offer a complete range to suit all standards. Glacier skiing is also being developed—it attracted 500,000 visitors last summer

Region now boasts more than 50 ski resorts

Tourism shows good prospects

THE NORTHERN French Alps, which lay claim to being the biggest ski area in the world, fit within the somewhat arbitrary modern regional boundary of the Rhone-Alpes. But in the tourism field the idea of regional organisation seems to break down.

The Alpine areas run their tourism separately from the old Rhone-Loire region, and even then not as a unit.

Savoie and its neighbour Haute Savoie, which backs on to Lake Geneva, do their own act together, leaving the Isère department around Grenoble to promote itself. The reason lies partly in their differences, but also in local chauvinism.

Together, the northern Alps make the principal tourist areas in the country after Paris and the Riviera. There is, of course, much more to enjoy in the Rhône-Alpes region than snow and mountain lakes—for a start, food, of which Lyons' claim to be some kind of world capital, seems hardly worth contesting—but the overwhelming bulk of the tourism business is on the slopes.

The Savoyards have the biggest slice of this, counting more than 80 ski stations in their two departments compared with Isère's four major and nine minor. They attract around two-thirds of the French winter sports clientele.

The stations rely to an increasing extent on foreigners—some 1m to the 4m or so French skiers—to fill the slack weeks between local school holidays. The problem is that at peak times there is too little capacity and the rest of the time too much. More classy places such as Courchevel manage to keep full most of the time, even when the Government is levying extra VAT on 4-star accommodation and taxing trips offered as company perks—but they are the exception.

The authorities have been selling January hard, with price cuts of 25-30 per cent, and trying to develop a new market in cross-country skiing. All the stations, except the highest, now have their cross-country circuit even though this is not the Alps' real forte.

The main growth potential is in the summer—which requires attracting an entirely new clientele, since people rarely want to spend two holidays a year in the same mountains.

Glacier skiing is being developed—it attracts 500,000 or so in the summer—along with other sports, lake holidays and "theme" holidays ("discovering cheeses," for instance).

Since Valmorel in the late 1970s, there have been no new ski station projects. They are blocked by local councils for ecological reasons that many consider have come to the fore too late already. But promoters say that new building will be needed if the French Alps are not to lose a large part of their basic Parisian and local custom.

The Savoyards are too conscious of the material benefits of tourism to resent the influx—not like the natives of the lovely Ardèche, who a couple of years ago started scrawling "Dutch go home" on their walls.

Winter sports have spawned their own industrial sector in skis, boots and bindings. Skis Rossignol, now the world leader, grew by leaps and bounds, expanding in the U.S and is now—in the wake of two disastrous seasons there—pulling out of the first crisis in the industry's short history.

Though jobs in the stations are very seasonal, tourism has helped to stem the rural exodus. In Savoie, the second largest employer is claimed to be Les Arcs—operated, like Flaine and other stations—as a company. Tourism there is already more important economically than farming.

D. W.

Important projects in Lyons and Grenoble

Centres for industrial research

A COMBINATION of tradition, initiative and ski slopes has made the Lyons-Grenoble region into the most successful in France outside Paris in one key area — that of scientific and industrial research.

The two centres complement each other — Lyons with a reputation in medicine and an emphasis on private research, Grenoble with a hard core of government scientists and a growing micro-electronics sector which leads the locals to think of it, wishfully, as France's Silicon Valley.

The National Scientific Research Centre (CNRS) has laboratories in both cities. Public and private sectors combined, there are reckoned to be 17,000 people employed in research activities in the region, including a large share of the national effort in areas such as textiles, non-ferrous metals and high-tension electricity.

This side of the region's economic life is bound to be reinforced by the Government's ambitious research programme, which foresees annual spending increases of 17.5 per cent in real terms between now and 1985.

This impact is due to be magnified by the efforts of the newly-nationalised industrial groups, with the state industrial sector expected to raise its research expenditure by 10 per cent a year at constant prices.

A large part of the private research sector has come into the state orbit, such as the Lyons-based Institut Merieux, the pharmaceuticals specialist controlled by Rhone-Poulenc.

Besides a respected medical faculty, Lyons is also the home of the International Centre for Cancer Research and a host of other specialised bodies, ranging from an Institute of Applied Toxicology to hospital sperm units which have recently achieved promising results from a year's male contraceptive experiment, using eight human guinea-pigs.

Grenoble's scientific reputation was based originally on its university, one of the oldest in Europe. It was founded in 1339 by Humbert II, who subsequently ran into such heavy debt that he sold the whole territory of the Dauphine to the King of France for 200,000 florins and became a Dominican monk.

What made it certain that Grenoble became known for something other than walnuts was a big impetus after the war, encouraged in recent years by the city's Socialist mayor Mr Hubert Dubedout. The nearby winter sports facilities must also have attracted bright science graduates.

"Salary negotiations are not as hard here as in other regions," a local manager with a big research team said. "For young people, especially, it has a pulling power other regions don't have."

Dominant

The main pillar of research in Grenoble is the unit which the Atomic Energy Commission set up in the 1950s—close to what is now France's biggest concentration of nuclear power stations. It has 500 researchers working on advanced integrated circuits for the specific needs of the nuclear industry.

Since 1976 the Thomson-CSF group — which is Grenoble's second major employer—has progressively taken over the dominant stake in a micro-circuit production venture with the Commission. Now called Thomson-Efcis, this went into production of standard circuits three years ago, with a licensing agreement with Motorola of the U.S. and a dollop of French State money. A third of its 750-strong workforce are engineers, half recruited locally.

Working closely with this unit is a specialised branch of the French post office's telecommunications research offshoot, the CNET, a relatively recent arrival in Grenoble.

M. Philippe Clotin, who has been given the job of co-ordinating Thomson-CSF's Grenoble activities, sees the set-up there as one of the best examples in France of interchange between higher education and industry. The city, he says, now has "the essential part" of France's research potential in integrated circuits and a good share of its production potential.

With current turnover of FFr 750m ($125m) a year and a target of FFr 2.5bn in 1986, Thomson-Efcis looks set, in the new government scheme of things, to take the leading role in French microchips. The challenge is for it to develop a wholly independent range of technology and make up the two-year lag it has on new products made under U.S. licence. In the overall gamble of French industrial policy, a lot of bets have been placed here.

David White

TECHNOLOGY

EDITED BY ALAN CANE

Sony printer for instant snaps

BY ELAINE WILLIAMS

SONY has developed a printer which can turn the images stored magnetically in its revolutionary Mavica camera system into conventional photographs on paper.

Sony announced its Mavica camera last August. This is a camera which resembles a conventional single lens reflex still camera but records images onto a tiny magnetic disc.

The pictures recorded can be viewed instantaneously on a television screen using a specially designed playback unit which costs £100.

Now, however, users can print these images on paper as with conventional photographs, although the reproduction is not as good as quality photographs produced by conventional chemical processing.

As the Mavica system is not due for launch in Japan until next year and it is unlikely to appear in Europe until 1985, there is plenty of time for improvements to be made.

Inexpensive

The printer can produce any number of colour prints of a still picture taken with a Mavica camera, or a conventional video camera, or any image shown on any video display including home TV, computers and video tape.

Mr Morita, Sony's chairman, claims that compared with other types of printer, the Mavigraph printer is inexpensive and the print cost is low.

For example, the model intended for industrial applications costs about £800 with an average cost per colour print of 15p to 20p which is very competitive with amateur photography costs.

The printer operates by scanning the signals stored on the tiny magnetic disc — which is capable of storing up to 50 individual picture frames.

The disc itself can be erased and reused and even removed from the camera when only partly used without destroying the recorded images.

The printer will cost about £350 for use in the home or about £800 for the industrial version.

The printing paper is wound over a platen and against this is pressed a thermal head to ensure close contact between the paper and a dye sheet.

The dye sheet slides over the thermal head as the platen and printing paper move together.

Video signals fed to the head vary the amount of heat generated according to the intensity of the signal. The dye is evaporated by the heat and transferred to the paper.

Four different coloured dye sheets—yellow, magenta, cyan and black—are used to produce a full colour picture. Each dye sheet goes through the same process.

Mr Morita said that the Mavigraph printing system has a wide range of industrial and commercial applications as well as its potential in the home.

For example, it can be used to obtain low cost hard copy prints from signals transmitted to teletext and viewdata systems. It can print images displayed on medical X-ray machines, body scanners or other medical equipment.

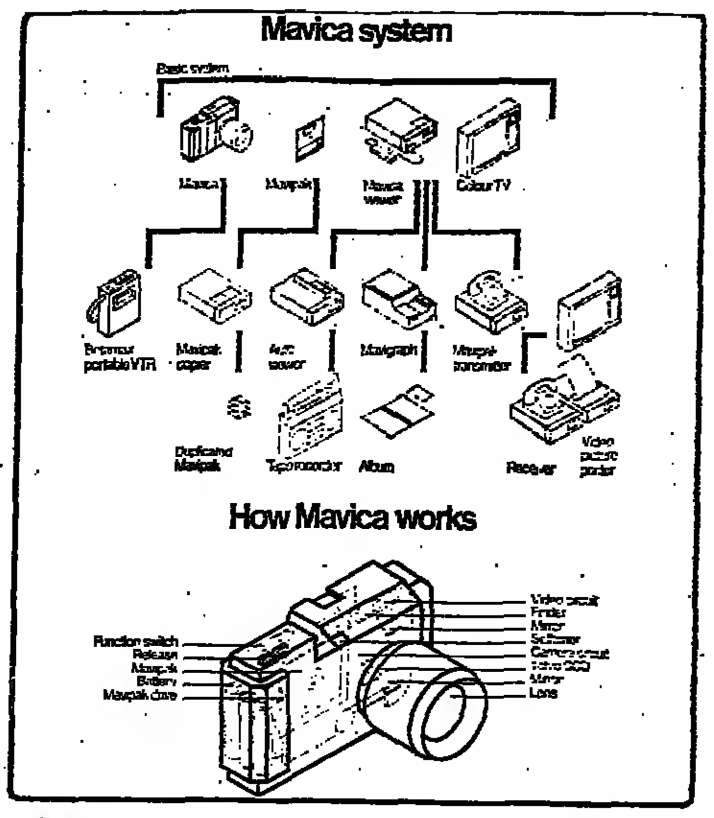
It could be used as a printer for office computers, operate as a colour facsimile printer, produce prints from conventional film negatives and transparencies.

Mr Morita said that it is even possible to add lettering to the image to make personalised greeting cards.

The potential of the Mavica system as a rival to convential photography was also emphasised by Mr Morita, when he announced that the new camera was to be used by one of Japan's biggest newspapers.

Unlike the UK, most of Japan's newspapers have adopted computer printing technology and all conventional photographs end up as digital signals stored in a computer.

With Mavica cameras, the newspaper's photographers will be able to transmit the images they have recorded on the magnetic disc, down the telephone line directly into the computer for automatic setting.



Easy focus from Canon

CANON, the Japanese photographic and office equipment maker, has introduced a sophisticated single lens reflex camera which helps photographers focus more easily on their chosen subjects.

The AL-1 is one of the first SLRs which gives help in focussing automatically, although instant and other less sophisticated cameras have offered the facility for some time.

The camera contains a microprocessor which judges the distance of the object—which is at the centre of the focus frame—and indicates in which direction the focussing ring has to be turned.

More information on 01-495 1266.

Oil link to the local garage

BY JOHN GRIFFITHS

A COMPUTER link stretching from the underground petrol tanks at your local garage all the way to the North Sea well-head is becoming feasible.

In its ultimate form, the implications for the retailing, distribution, refining and production of petroleum products would be as follows:

Tank capacity measured by hyper-accurate electronic gauges, now being installed at service stations by a new Smiths Industries subsidiary, would relay via the station's own data terminal a continuous picture of which fuels—2-star, 4-star, diesel, etc—are being depleted at what rate.

Schedule

The information would be received at the oil company's distribution depot.

The depot's own terminal, using the information coming in from its area outlets, would devise the most efficient routes and timetables for its tanker fleet to replenish supplies.

This is in marked contrast to the current "distributor response" system, based on orders from outlet managers.

Not least of the obvious difficulties with the current system is that an outlet can 'phone for new supplies only a day after a carefully drawn up schedule has taken the tanker to another outlet nearby.

From the distribution terminal's data, a central terminal would build up a moving picture of national demand for the various fuel types for transmission to the refinery network, to showing the best demand-related way to "crack the barrel."

At the same time, a moving picture of total demand would dictate actual well-head production rates.

The day of the fully automated, computer-controlled production-to-pump system will never come, of course. There are far too many intervening variables: refineries process mixtures of crude from several sources; and political, economical and other external factors will always require sophisticated managerial judgments, even though based on the data flow.

But Chris Ensor, site services manager of BP Oil, says he believes the introduction of much of the above computer chain will emerge, and that it will be of significant help in boosting operating efficiency.

In fact, the first links have already been forged by BP. Live trials up to distribution level will start within the next six months.

But what will be on trial will be a much more comprehensive information system than fuel supplies, even if it does not extend very far up the actual supply pipeline.

It is of, effectively, the all-electronic service station. The "lego" chart below shows what is involved.

Into the individual outlet's data centre will flow sales value and volume from the pumps. The underground tank gauges, developed and made by Smith's Kingston, Surrey-based subsidiary, Contents Measuring Services, will at the same time be providing their own input volume.

Current legal limits for pump accuracy are plus or minus 0.5 per cent. But trials at BP's Strathyre service station at Thornton Heath using the gauges have cut maximum losses to as low as 0.09 per cent (though not yet on a sustained basis).

The reason is that the outlet operator has a continuous at-a-glance cross-check of what the pumps say they are delivering and what is actually being delivered. And if over-delivery by the pumps of 0.5 per cent does not sound much, the financial difference at Strathyre's is a loss per year of £5,812 at 0.5 and £1,046 at 0.09 per cent on a £1.55 gallon.

Extrapolated to all 24,000 UK petrol stations, delivering an annual 4.8bn gallons, the potential net loss is about £30.5m.

The next ingredient is already on trial in a part of the BP network. Called "Counterplus," and operated with Clydesdale Bank, it is an electronic funds transfer system.

A customer equipped with the appropriate debit card has the card "read" by the terminal, which is linked to the bank's, and the transaction is approved by the terminal in four seconds and the customer's bank account is automatically debited.

BP hopes to see other banks become involved to produce a national service within five years.

The one area left outside of automatic computer monitoring is sales and stocks of oil and other after-market goods. But even this omission is temporary, awaiting the setting up of the electronic bar code system on goods now appearing in supermarkets.

Costs

The data can then flow out from the terminal to a number of sources for various uses—to the distribution terminal for supply determination—to BP's administrative offices for performance monitoring and accountancy analysis, and ultimately to independent suppliers of other stock for use in the same manner as BP's own distribution operation.

Inevitably there are snags. The £1,000 plus installation costs of CMS gauges can be rapidly amortized at the 20 per cent of total outlets which hold 80 per cent of petrol and diesel sales volume.

But the average petrol station volume is about 225,000 gallons per annum, and the investment would prove harder to justify at many small outlets where volume is lower still.

Partial

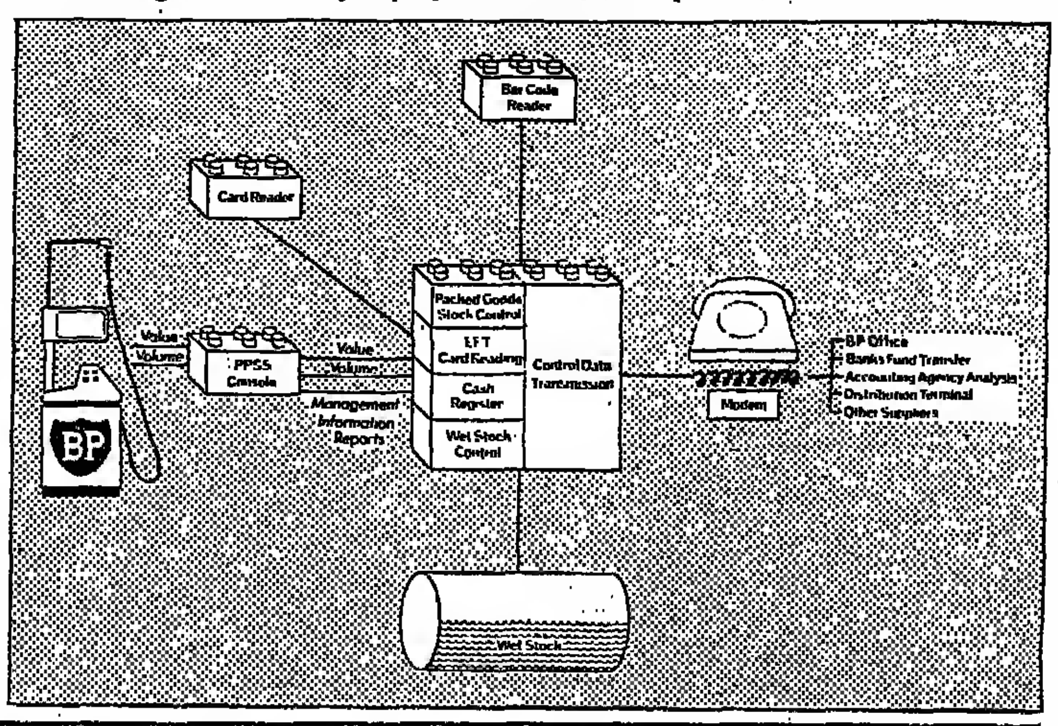
Offsetting that, Ensor sees a rationalisation of the network continuing which may see 3-4,000 outlets disappear with a consequent increase in volume at the remainder.

Without a comprehensive supply information system in place, it is not possible to set up a full distribution system based on what BP can determine for itself its outlets need rather than what they say they need at the time it suits them.

Nevertheless, Ensor says even a partial system would be of major benefit, applied to the 10-15 per cent of its 4,200 outlets which account for 40-50 per cent of its petrol sales volume.

CMS has equipped 210 outlets so far, and is converting further outlets at the rate of three or four a week. That rate is expected to accelerate.

A full tank to wellhead system? That, says Ensor, regretfully, remains some years off.



Aluminium jointing method in North Wales

A NORTH WALES company has developed a method of jointing aluminium to itself and to aluminium alloys which, it claims, is aesthetically and technically superior to any existing method.

The process developed by Tubular Components of Four-crosses, Pwllheli, North Wales, takes place in a recirculating furnace and uses the gas mixture as a heat transfer medium with the temperature finely controlled.

The rate of heating is tailored to ensure uniform fusion of the separate components even if wall thickness varies. The special gas mixture ensures that surface oxidation and other contaminants are excluded from the joints.

The company believes that the process will overcome some of the constraints on the use of aluminium in certain areas because of the difficult and expensive operations required to joint aluminium.

Tubular Components will be represented on the Welsh Development Agency stand at the Subcon '82 exhibition at the NEC (March 29 to April 2). Mr Maurice Johnson is the man to contact. The company is on 0766 88 595.

MAX COMMANDER

U.S. Government sanction aims to reduce employment discrimination

HOWEVER much employers may deny it, discrimination of all types is still rife in most of their companies. Legislation or government edict may help towards reducing it, but progress is inevitably slow while attitudes remain unchanged.

Now one U.S. company at least is trying to speed change by using a novel "carrot and stick" approach on its senior managers. Their annual bonuses are determined partly by how strictly they adhere to government rules on non-discriminatory behaviour.

The company is Norton Simon, the large conglomerate whose interests include Avis car rentals, Max Factor cosmetics, Hunt-Wesson foods and United Can packaging.

The rules that its managers must follow in order to qualify for a full bonus are incorporated in U.S. Equal Employment Opportunity legislation, which has similarities to the UK's Equal Pay Act, Sex Discrimination Act and Race Relations Act.

This requires most companies that are awarded Federal contracts to ensure that their hiring practices are not discriminatory through race, colour, religion, national origin or sex.

Under a Presidential directive, such companies are obliged to analyse their workforces to discover whether women or ethnic minorities are getting a fair share of jobs.

If it is found that they are not, the companies are obliged to set up so-called Affirmative Action Programmes to correct the balance within a set period.

The ultimate sanction by the State if goals are not achieved is the withdrawal of Government contracts.

Harry Savage, a vice president at Norton Simon, says that his company's bonuses are comparable with those paid by most major U.S. corporations. However, unlike the others, Norton Simon "includes adherence to EEO objectives as one of the criteria used in determination of bonuses," says Savage, adding that the EEO objectives are an important part of the company's overall corporate responsibility programme.

Norton Simon also has an unusual job creation programme to supplement its EEO commitment. It is directed towards so-called "economically disadvantaged" groups, including minorities and disabled people.

The scheme works like this. Having decided on the year's total manpower requirements across the group, the company undertakes to employ in junior jobs an additional number of economically disadvantaged people equal to 1 per cent of the total workforce.

As Norton Simon normally employs about 25,000 people, this means that it finds places for an extra 250 people, mainly school-leavers. The scheme has been in operation for two years.

The types of people taken on are at the discretion of the local Norton Simon company.

According to Savage, the company is highly satisfied with the scheme so far. "We think there is a lot of talent out there that has been overlooked."

There are a number of entrants under the scheme, for example, who have been promoted several times already, he adds.

Savage says that the programme has both social and economic returns. "On the one hand we see it as part of our overall social responsibility and on the other, we have not seen any decrease in profitability that could be tied directly to it."

Arnold Kransdorff

'Japanscope'

A VALUABLE new aid for the rapidly growing band of Japan-watchers has been launched by the enterprising library of the University of Aston, in Birmingham. Called "Japanscope," it is a monthly bulletin of references to new articles and books about the economic, business and trade developments in Japan.

Not only does it contain a flattering number of abstracts from articles in the Financial Times, but it ranges widely across other publications in the UK, U.S., and Japan itself, and includes a few English-language references from continental Europe. Its main drawback is that it gives little indication of the quality of each article and book.

Available from Mrs S. Thebridge, University of Aston Library, Gosta Green, Birmingham B4 7ET, England. Price £35 for 12 issues, or £2.50 per copy. Tel 021-359-3611 extn 526.

How Cummins engineered a quiet revolution

The diesel maker involved employees in formulating radical production changes. **Nick Garnett** reports

DESIGN engineers at Cummins Engines received a jolt as they sharpened their pencils ready to begin detailed planning of the company's new assembly areas in Scotland.

"Put the tried and tested production line system to one side and come up with something new" was the message they received from senior UK management of the U.S.-owned diesel engine manufacturer. The cosiness of a recognised method of engine building, in which work standards are coupled with a well-formulated equation of manning levels, track speed and output, had, in other words, been kicked out of bounds.

For good measure the workforce at the old plant on the site, especially those who did the job of putting the engines together and the people who supervised them, were asked to generate their own ideas on the design of the production facility.

That process, which took place more than a year ago, was part of a lead-in to a quiet revolution, still with much of its course to run, in how Cummins utilises its UK plant and manpower.

It stretches from the way the company makes its power units on the shopfloor to the structure of plant management. And it encompasses changes in job content and responsibilities, movement towards involving employees more in decisions about how the work they do is actually done, and incorporates specific targets for efficiency improvements.

The changes under way are the result of how Cummins saw the market place altering and wbat it believed it bad to do to deal with this. So it took stock of itself.

Cummins is good at what it does. With 5,500 UK employees and four production centres—Daventry, Darlington, Peterlee and Shotts in Scotland—it manufactures diesel engines from 140 to 1,600 borse power. More than a balf of these engines go into trucks, tbe rest heing destined for contruction, industrial and marine uses. The biggest proportion of UK output is exported.

Worldwide, witb manufacturing facilities in six countries employing 23,000, Cummins is the largest independent supplier of diesels in the higher borse power ranges.

In the UK it bas enjoyed a very favourable industrial relations record in terms of stoppaees. The company has a policy of progressing towards harmonising employment conditions for its white and blue collar workers.

Tbe joh of ils personnel managers has heen aided hy having just one union—the Amalgamated Union of Engineering Workers—recognised for purposes of bargaining on behalf of all manual workers.

From the mid-1970s Cummins realised that competitive pressures would increase. Because of a growiog trend in favour of integrated manufacturers — truck-makers who build their own engines—Cummins decided it had to become more cost-effective if it was to compete with them in selling engines to truck assemblers who do not manufacture their own power units. It also wanted to entice integrated manufacturers to use Cummins products to power some of their own trucks.

An indication of the difficult selling climate was the company's recent announcement that it was shedding a fifth of its workforce in the North-East.

The principle adopted by the compaoy to tackle the problem of greater cost effectiveness was to hegin going through itself with a fine tooth-comh to discover whether manpower and equipment were organised in the right way to achieve optimum results. The process through which the company decided to review the way it carried out its husiness was tagged Organisation Developmeot (O.D.).

"We believe people can be ntilised better than is currently the case," aaya Jim Gray, the company's corporate personnel director. "We think that individuals bave a much greater potential than normally they are asked to provide in manufacturing industry. It's a matter of tapping loto that."

Though Gray is responsible for tbe broad lines of personnel policy, each plant, wbicb along with consultation machinery now bas one O.D. man, possesses considerable autonomy in bow it goes about improving efficiency. The plants bave different pressures of space and different problems related to the pbysical size of the engines they make.

Examples of change are already emerging. Consultations with the Scottish workforce on the new plant at Shotts was well under way in the late 1970s. A mass of information flooded in and some of the ideas were takeo up. The placing of the medical centre waa altered, for example, and many changes in the location of equipment were made so as to help apeed up the manufacturing process.

In the autumn of 1980 a group of hourly paid workers, abop atewards, foremen and design engineers disappeared at weekends to think through the way the assembly area should be designed. This combined work resulted in at least three schemes acceptable to the company. One of them is now in operation as Cummins completes the process of moving from the old Shotts plant to the new ooe oo the same site.

The old Shotts assembly track with 16 work stations went out. In came a total assembly area split up into three sections—work on the short engine block, on the loog block wbere the engine nears completion and on customising for the huyer. The work is carried out by a team in each section.

In tbe short block area, assembly workers do their own materials scbeduling, are responsible for quality and are expected to do a certain amount of their own production planning.

Cummins, which has shed labour during the recession and wbose output is currently well below capacity, says that with the new assembly arrangements at Shotts, the weekly output of 150 eogines which once required 74 workers now needs 52. The standard time to make one eogine has heen brought down from 10.7 to 7.9 hours.

With workers given responsibility for quality control, Shotts no longer has an engine rectification area. Under the old system a qoarter of engines were taken off the assembly track for correctiog work, mainly hecause of material shortages. The company says the plant is now achieving a 92 per cent rate of "first time" production.

Because greater control for production workers over their own process is a main pivot of O.D. as it applies to assembly, ripple effects spread up through the manufacturing structure.

A unioo/management consultative committee at the plant is now looking at the position of foremen — among other groups—part of wbose normal activities bave been transferred downwards to the assembly worker. Gray believes that the foreman's role should perbaps no longer be that of a disciplinarian but more of a planner.

If foremen are to do this kind of work that raises questions of skills necessary to do it. Training therefore is an integral part of O.D.

The committee bas also been examining a pure industrial relatioos issue—wbat happens to relative pay between grades when changes upset traditional layers of responsibility. If you mess this up tensions can bedevil the plant. If the company gets it right, though, says Gray, then employees will he attracted to think more closely about cost and production issues and the UK tradition of adversary bargaining will he further weakened. Cummins is prepared, as part of this exercise, to feed the cost-savings on aome of the manpower reductions hack to the workforce.

While this has heeo going on, Cummins has been reviewing plant management structures. Managers have been examining the flow of work from the taking of an order to the point where the engine rolls out of the plant ready for shipment.

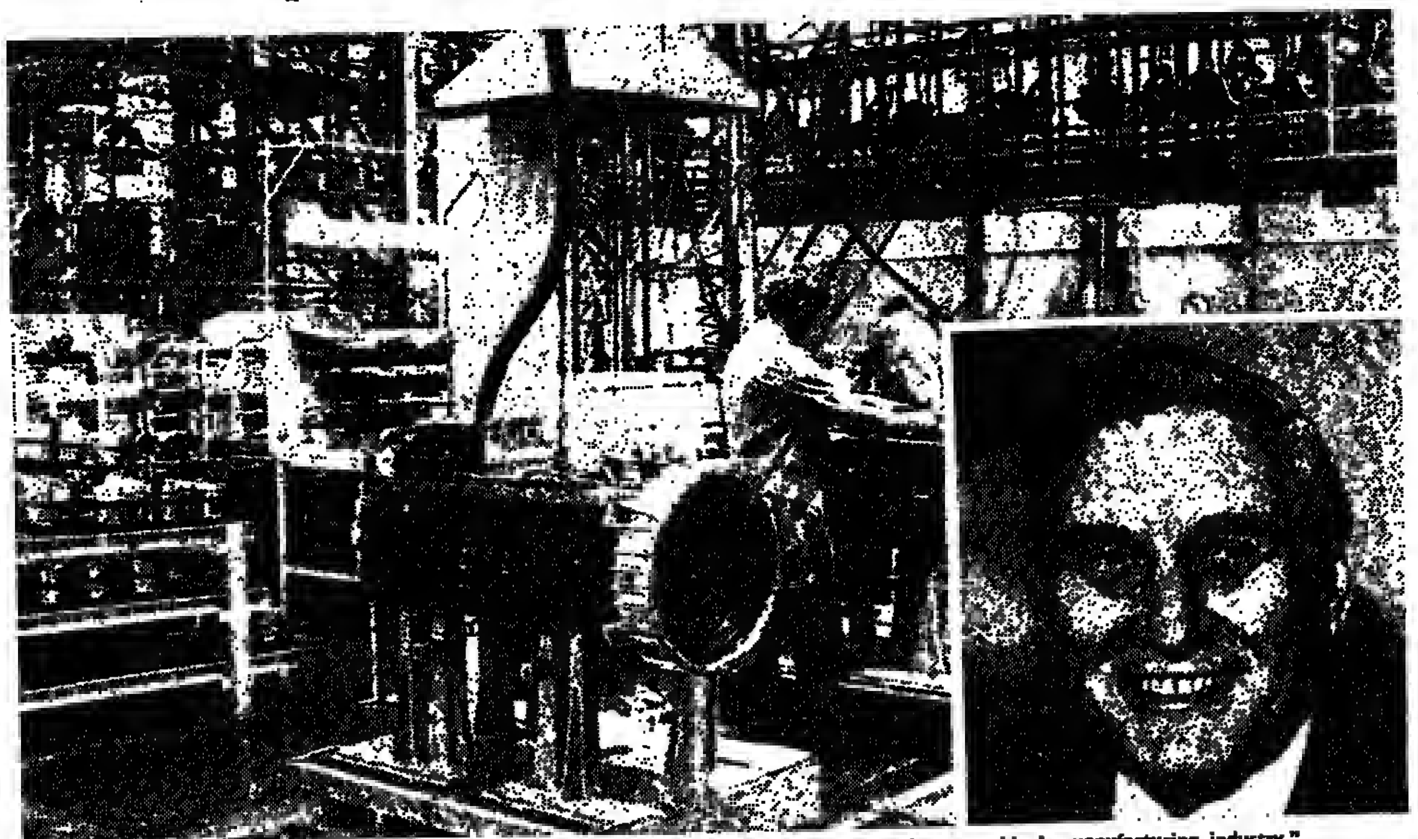
This process has gone furthest at Daventry and has resulted in reducing the number of senior functional managerial roles by about a third. The managerial jobs of personnel and finance have beeo combined and so too has engine assembly and technical development and machine shop and material supplies. The review at Shotts also showed that functional managerial jobs could he reduced.

Darlingtoo has a number of new targcta to meet over the next few years as part of OD iocluding a 50 per cent fall io scrapped material and a 5 per cent yearly productivity improvement.

One general target, encapsulated in what the company calla materials resources planning, is to close the time gaps between delivered materials from suppliers and the supplying of engines to customers with the minimum of inventory at hoth stages. New targets would suggest tbe need to cut stocks from 35 to 10 days of supply and to arrange delivery of engines much closer to the time when truck-makers actually want to instal them.

Orgaoisation Development bas more than a little of Japanese industrial pbilosophy about it—longer and more detailed planning of production than is usual in the UK but more rapid implementation.

Gray is tbe first to concede that OD involves high risk. Some of the changes might not work. He is also quick to point out that this is the way Cummins bas decided to grapple with its own problems. There is no chest-beating that this is the way for industry to move forward as a whole. The company though does believe one of the axles of OD is valid for the rest of manufacturing — that companies often forget that tbeir prime resource is the staff they employ.



Jim Gray: "Individuals have a much greater potential than normally they are asked to provide in manufacturing industry"

THE PROPERTY MARKET BY ANDREW TAYLOR

Changed days in Hong Kong

TWO YEARS AGO, the question was how much further Hong Kong property values would rise. The question today is how much further they will fall.

Not that the downturn has heen as dramatic as the boom. Prime office space in Central District has been bnoyed up by the fast growing financial sector, but secondary office and commercial space is less happy. The residential market is softer. Industrial property has been worst hit, with values falling by 10 or 20 per cent and sometimes mpre over the last 12 to 18 months.

Three lots at a Government land ouction in the New Territories last week found no buyers at their reserve price. Afterwards, laod agent Mr Tony Harland said that crown reserve prices have fallen by 30 per cent over the last year.

Finaocial Secretary Mr John Bremridge forecast in his Budget speech land sales of 91 hectares in 1982-83, five hectares more than 1981-82, and 28 hectares more thao in 1980-81. Moreover, said Mr Bremridge, it is "the Government's determination to dispose of land at a fair market price for development as soon as it is available, even during a period when prices are falling."

The Government's own property review for 1982 will be published oext month, but rating and valuation commissioner Mr Raymond Fry has already given notice of its findings. Taken in context, his views are less apocalyptic than they might have seemed in isolated quotatioo last week.

But they are still bearish. "In the face of the present high vacancy figures and the good supply of new accommodation coming on stream over the next two to three years," said Mr Fry, "there would be some further easing of values before the market consolidated."

Cheap land, of course, has its public supporters. "We hope that the pendulum will never again tilt in favour of the blackmailers," said the Hong Kong Standard in a recent editorial on residential rents.

As for the local property compaoies, the many who bought wisely and early have realised large gains from the bull market, and can still show profits on outstanding properties in their portfolios. Conscious of the historic volatility of the market, local agents are now suggesting that buyers should not risk waiting to try to call the bottom of the market.

Mr Alan Hill, a partner in Jones, Lang, Wootton, suggests that there may ba a further 5 or even 10 per cent fall in values in prospect. But, he cautions, "If you expect always to hit the bottom, you would have to be a very clever person."

Property consultants Richard Ellis look generally for "a consolidation period" in 1982.

The latest report on Hong Kong by Ellis suggests that, while office rents in the main should remain stable during 1982, there may be some softening in areas of large oversupply. Prices and rentals however might be expected to remain under some pressure into 1983 with accommodation supply still at high levels.

Similarly the agents do not expect to see much growth in retail rents in the medium term until the present oversupply of spaca is absorbed.

Oversupply and continuing vacancy levels are likely to be maintained for some time yet, judging by the Ellis report, which also notes a decline in foreign investment during 1981 and an acceleration of building costs, during the second half of the year.

Meanwhile, the Hong Kong Government's property review for 1982, due to be published next week, is expected to show that commercial vacancies had risen by 27 per cent to 423,000 square metres (4.5m square feet) during 1981. This was despite a larger than usual take-up of space during the year.

The report is also likely to forecast a further softening in the retail property market, given the present oversupply of accommodation. In addition the report is understood to state that, while office rents rose in 1981, these had levelled out by the end of the second half.

The Government expects that strong demand for offices in the central area will be maintained this year but, like Richard Ellis, expects to see a softening in values in secondary locations.

However the tenor of recent reports, including that published by Richard Ellis and the Governmnt report due next week, stresses that, while in the short term the real estate market is under pressure, long term prospects remain good.

In support of a long-term bullishness is the relative health of Hong Kong's economy. Gross domestic product last year grew by 10 per cent. This year's budget forecast is for 8 per cent. Against that weighs the international burden of high interest rates, which has left not only the property market but also the property-heavy stock market languishing. There is also the overhang of property supply and the speculative valnes dating from the overheated real estate market of 1979-80.

The other, secular, consideration for Hong Kong is the expiry of the new territories lease in 1997. While the island and Kowloon are ceded rather than leased, the diplomats are looking for a deal encompassing the whole territory. Local investors appear less concerned about that than they are about interest rates, but it seems likely that a solution would quicken the appetite of overseas investors.

Hongkong Land's general manager for corporate planning, Mr Bill Wavish, told a Hong Kong conference this week that the group has specific plans for diversifying into North America. Denver, Houston and Vancouver are favoured by the group's studies. With over 90 per cent of assets and earnings in Hong Kong, Mr Wavish said that diversification overseas was "sensible," though unlikely to exceed 20 per cent of assets or earnings.

Robert Cottrell

ICSC CONFERENCE

Downtown shopping centre trends

"THE PARTY is over," said Florida developer Leonard L. Farber in Paris this week. He was talking about the U.S. retail property scene at the annual European conference of the International Council of Shopping Centres; but his remarks were echoed, and amplified by delegates from other countries.

From now on, said Mr Farber, U.S. shopping centres will be built under entirely new guidelines. "Over the past 25 years," he added, "we have moved to the point of overbuilding."

The weakness of the U.S. economy has slowed retailers' expansion plans. Developers are circumscribed by the cost and availability—or lack of it—of long term finance and, said Mr Farber, the current rental requirements for small shops must be stretching the retailers' ability to pay.

On the finance side, with U.S. institutions into short term, high-yield investments, developers were having to look for other sources of funding such as joint venture capital.

On the brighter side Mr Farber saw "almost endless" opportunities for renovation and expansion of existing space, population growth in the Sunbelt states and population shifts elsewhere: "During the balance of this century," he said, "huge sums will be invested in inner cities."

The conference organisers clearly felt the need this year to show the rough edges of retail development, particularly for "downtown" (city centre) centres which were this year's theme. Stuttgart professor Dr B. Falk obliged with 11 reasons why some West German centres have underperformed.

First, he said, shopping centre theory developed from a regional centre base could lead to a lack of success when applied to smaller, downtown developments; conversely, the building of shopping on three or even more sales floors to cut land costs meant that some space was unsuitable, or low yielding.

Lack of strong management in some of the centres, low promotion budgets and lack of "anchor" tenants were all mistakes relating to the smaller size of downtown centres.

Units of space, said Dr Falk, were frequently let in sizes which were too small and the constraints imposed by fitting into existing town centre developments meant that the leasable floor space was frequently out of proportion. If it were too narrow, the centre would be unattractive; too generous, and it could be unprofitable.

Real estate was expensive downtown, said Dr Falk; he also noted the accent on "culinary well being" and the strict local authority conditions appertaining to it. Preservation and regulation of use, he said, frequently led shopping centre operators to seek compromises—with negative consequences.

Finally, like Mr Farber, he noted that high real estate and construction costs led to higher rents and extra charges which were sometimes economically unreasonable for the tenants.

Dr Falk made three recommendations for the future, which he saw as belonging to small shopping centres of 3,000 to 8,000 square metres (32,000 to 86,000 square feet) located downtown.

He said that developers should remember that the function of shopping centres was totally different from other immoveable property or real estate. Therefore they should buy know-how from experts before buying the land, or site, and starting construction.

They should bear in mind that the typical West German downtown shopping centre was distinct from its regional big brother, and act accordingly; and they should also note that retailing performance tended to lag behind expectations at a time when forecasts for the next few years were not favourable and "competition is getting cut-throat every day."

For those who went ahead, said Dr Falk, he would propose the opposite of the "low profile" approach. Other delegates concurred, and it would seem that promotion of the centres themselves, as distinct from the products that they are selling will be a feature of the years ahead.

William Cochrane

Brokers differ on prospects

STOCKBROKERS Hoare Govett say that the lifting of restrictions on holding index linked gilts takes away the last surviving prop of the bull case for property values.

Phillips and Drew think differently: "Perversely, with the institutions facing external competition for index-linked gilts for the first time, institutional demand for property investment could actually rise with the consequent depressing effect on property yields."

● London and Metropolitan Estates, jointly owned by Second London Wall and Balfour Beatty Construction, has won the Bracknell Development Corporation's competition to build a £25m, 200,000 sq ft shopping centre on land next to Bentall's store on the Bracknell ring road.

● Planning permission free of all local user restrictions has been granted for Brixton Estate's new 13½ acre industrial development on its Maylands Wood Estate at Hemel Hempstead. Upon completion the development has been valued at in excess of £12m.

● Jones Lang Wootton, retained jointly with Richard Ellis, have sold a 4,000 sq metre decentralised office building at Rue de Stalle in the southern part of Brussels to Swiss Life, the major Swiss insurance company. The price was BFr 190m (£2.3m).

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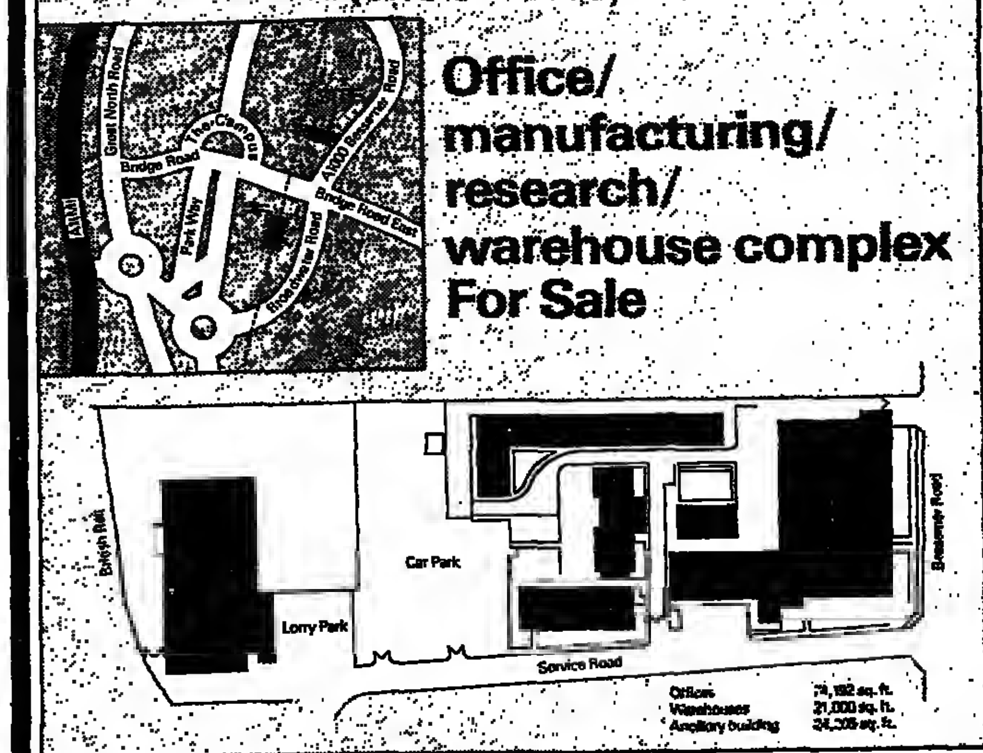

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FT COMMERCIAL LAW REPORTS

Tax avoidance valid in trade transaction

COATES (INSPECTOR OF TAXES) v ARNDALE PROPERTIES LTD

Chancery Division: Mr Justice Goulding: March 24 1982

WHERE AN inter-company transaction is motivated by expectation of a tax advantage, such advantage shall accrue if the transaction bears the stamp and mark of a genuine transaction within the course of the trade of the companies.

Mr Justice Goulding so held when dismissing an appeal by the Crown from the General Commissioners' decision to discharge a corporation tax assessment on Arndale Properties Ltd ("the taxpayer"), a property dealing company.

* * *

Section 273(1) of the Income and Corporation Taxes Act 1970 provides: ". . . where a member of a group of companias disposes of an asset to another member of the group, both members shall . . . be treated so far as related to corporation tax on chargeable gains, as if . . . neither a gain nor a loss would accrue . . ."

Section 274(1) provides: "Where a member of a group . . . acquired an asset as trading stock from another member of the group . . . the member acquiring it shall be treated for the purposes of paragraph 1 of Schedule 7 to the Finance Act 1965 as having acquired the asset otherwise than as trading stock and immediately appropriated it for the purposes of the trade as trading stock."

Paragraph 1 of Schedule 7 to the Finance Act 1965 provides: ". . . where an asset acquired by a person otherwise than as trading stock . . . is appropriated by him . . . as trading stock . . . and if he had then sold the asset for its market value, a gain or loss would have accrued to him, he shall be treated as having thereby disposed of the asset by selling it for its then market value."

*

HIS LORDSHIP said that the taxpayer was a member of a group of companies for the purposes of the Income and Corporation Taxes Act 1970.

One member of the group, a property developing company, acquired and developed a leasehold property for a total of £5,313,822. The market value of the property fell to £3.1m and the developer assigned it to the taxpayer for a sum stated in the deed to be £3.1m, but which was in fact only £3.09m. On the same day the taxpayer assigned it to another company in the same group for £3.1m, thus making a profit of £10,000.

The only motive for the transaction was that a favourable consequence for corporation tax purposes might ensue to one or more of the companies in the group.

The way in which it worked was that under section 273 (1) of the Act the property disposed of to the taxpayer was treated for corporation tax purposes as acquired for such consideration as would secure neither a gain nor a loss to the assignor, ie for £5,313,822.

By section 274 (1), if the taxpayer acquired the property as trading stock, the taxpayer was to be treated for the purposes of paragraph 1 of Schedule 7 to the Finance Act 1965, as having acquired it otherwise than as trading stock and immediately appropriated it as trading stock.

Under paragraph 1 of Schedule 7 a person making such an appropriation was generally treated for capital gains tax purposes as having thereby disposed of the appropriated asset by selling it for its market value. He could elect instead that in computing his trading profit for tax purposes, such market value should be increased by the amount of the loss which would have accrued to him had he sold the asset for such market value at the time of appropriation.

The taxpayer had made such an election, and claimed to have made a loss, allowable in computing its profits, of £2,213,822.

*

The General Commissioners discharged a tax assessment on the ground that the transaction was carried out in the course of the taxpayer's trade. The Crown contended that the taxpayer did not acquire the property as trading stock, and therefore section 274 (1) did not apply.

The question was whether a property dealer's operations which, in form and quality, were within the ordinary scope of his trade, could be held to be trading operations if they were carried out from an extraneous motive, such as reducing tax liability.

Two recent House of Lords decisions were *W. T. Ramsay v CIR [1981] 2 WLR 449*, and *CIR v Burmah Oil Co [1982] STC 30*. Those encouraged the view that the motive of the transaction in the present case might have deprived it of a trading character.

However, there were earlier House of Lords decisions, known as the dividend stripping cases, which gave specific guidance in relation to the present facts.

In *J. P. Harrison (Watford) v Griffiths (1962) 40 TC 281* Lord Simonds said, at page 294, that the fiscal result or object of a transaction was immaterial as long as the transaction was not a sham. Lord Morris, at page 302, thought that trading transactions did not cease to be such because their object was some fiscal benefit. Lord Guest said, at page 304, that the question was not in what spirit the transaction was entered into, but what was in fact done by the company.

In *Lupton v F. A. & A. B. Ltd (1971) 47 TC 580* Lord Simon said at page 631 that *Harrison's* case and *Finsbury Securities v Bishop (1966) 43 TC 591* established that a transaction which was palpably part of a trade dealing did not cease to be so "merely because there is inherent in it an intention to obtain a fiscal advantage." Lord Morris said, at page 620: "If . . . the presence of a motive of securing tax recovery does not cause a trading transaction to cease to be one, then reliance on motive must disappear." Lord Guest agreed with his reasoning.

*

In *Thomson v Gurneville Securities Ltd (1971) 47 TC 633* Lord Morris said, at page 673: "The question is whether the transaction bears the mark of the trade of a dealer . . . or whether its very structure and content reveal it as something different in kind."

There was nothing in *Ramsay* and *Burmah Oil* which justified disregarding the careful distinctions made in *Lupton* by Lord Morris, Lord Guest, and Lord Simon.

In *Burmah Oil* it was said that the new approach did not necessitate the over-ruling of any earlier House of Lords decisions. On that basis the present appeal must fail.

The transaction consisted of a straightforward purchase and a straightforward sale. It was not so affected and inspired by fiscal considerations that its shape and character were no longer that of a trading transaction. It bore the stamp and mark of the trade of a dealer in landed property.

To say that the real purchase and the real sale of property by a property dealer were not trade dealings, when taken as one transaction, was only possible if the motive of the transaction was necessarily decisive. To hold that it was would be to disobey the authority of *Harrison*.

Appeal dismissed.

For the Crown: John Mummery (Solicitor, Inland Revenue).

For the taxpayer: Andrew Park QC and Michael Flesch (Speechly, Bircham).

By Rachel Davies
Barrister

RACING

BY DOMINIC WIGAN

WITH Lester Piggott on board Donegal Prince in preference to Popsi's Joy in today's renewal of the Doncaster Town Plate, a good many racegoers will be looking no further than the champion hurdle disappointment for their afternoon's expenses.

They may well be right: but a better bet for the backer in search of each way value is probably Beseiged in spite of the fact that he has earned the brief comment: "Looks slow," in the latest edition of Racehorses. Sold to Peter Cundell for 12,500 gns at last year's Newmarket autumn sales. Beseiged had only a few weeks previously put four lengths between himself and Scheming in a mile and three quarters maiden event at Haydock.

Sure to be ideally suited by today's 2¼ miles—by far the longest trip he has tackled—the Cannonade colt can land this £10,000 added handicap, by wearing down the Epsom trained Ra Tapu, a chesnut son of that high class race mare Bracey Bridge.

Half an hour after the Town Plate that deservedly acclaimed series the Crown Plus Two apprentice championship, gets under way. A typically competitive affair Round 1 can be won by Peter Easterby's Noble Legend. Unplaced on his first four starts last term, Kevin Hodgson's mount came good in fine style on his fifth and only other appearance when making all to land a nine furlong event at Carlisle.

Edward Hide who had a lean time of it last season with less winners and fewer big race successes than usual, usually does well at this meeting and Touch Boy can maintain the habit with a win in the Will Scott.

DONCASTER
2.00—Ash King*
3.00—Beseiged***
3.30—Noble Legend
4.35—Touch Boy

NEWBURY
2.00—Joe Sunlight**
2.30—Southdown Spirit
3.00—Very Light
3.30—Capitano

TELEVISION

Chris Dunkley: Tonight's Choice

Television's best gag tonight is the billing of Mr Chancellor, editor of the excellent Spectator, who is the host on BBC-2's Friday Night, Saturday Morning. Radio Times announces him as "Alexandra." That aside there is one promising documentary, one promising play and an interesting film.

The documentary is the first in BBC-2's new three-part series The Wooldridge View. (The first thing that happens when you get yourself an agent these days is that your name goes into the title of all your programmes.) Tonight Ian Wooldridge reports on one of the few places in the world that I have no desire ever to visit: Las Vegas.

The play, which follows immediately, is another of BBC2's half-hour productions: The Guest, dramatised from a short story by Gerald Durrell. Hilary (Judy Cornwell) and Gerald (Anton Rodgers)—what a cast, are on a gourmet tour of France but, as Hilary remarks "There's very little left to our marriage but food these days." However, the bickering stops momentarily when they discover a first-class restaurant off the beaten track.

The film, on BBC-1, is No Drums, No Bugles, the story of one man who refused to fight in the American Civil War, beautifully filmed on location in the forests of the Blue Ridge Mountains in Virginia by Clyde Ware who wrote, produced and directed.

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.00 For Schools, Colleges. 12.30 pm News After Noon. 1.00 Pebble Mill at One. 1.45 Bagpuss. 2.02-3.00 For Schools, Colleges. 3.20 Pobol Y Cwm. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Captain Caveman. 4.30 Jackanory. 4.45 Finders Keepers. 5.10 The Song and the Story with Isla St. Clair. 5.35 The Perishers.

5.40 News.

6.00 Regional News Magazines.

6.22 Nationwide including 6.45 Sportswide.

7.00 "Toward the Unknown," starring William Holden.

8.50 Points of View with Barry Took.

9.00 News.

9.25 McClain's Law, starring James Arness.

10.15 (London and South East only)—Eight from Ten: Bachelor Mike Vicary adapts to a new life after winning £½m on the pools.

10.45 News Headlines.

10.50-12.20 am The Late Film: "No Drums, No Bugles," starring Martin Sheen.

BBC 2

6.40-7.55 am Open University. 11.00-11.25 Play School. †2.55 pm "Great Day," starring Flora Robson. 5.10 Wages of Action. 5.35 Weekend Outlook. †5.40 "Terror by Night," starring Basil Rathbone. 6.40 Dear Heart. 7.05 News Summary. 7.10 Gardeners' World.

7.35 Newsweek.

8.10 Iris Williams and Sunshine in the Bay of Naples.

8.50 The Wooldridge View.

9.40 Playhouse.

10.30 Scoop.

10.50 Newsnight.

11.30 Badminton.

11.55-12.50 am Friday Night . . . Saturday Morning.

All IBA Regions as London except at the following times:

ANGLIA
12.30 pm Vet. 1.20 Anglia News. 1.30 At Home with the Spinners. 3.45 Survival. 6.00 About Anglia. 7.30 The Fall Guy. 11.00 Members Only. 11.30 Friday Late Film: "Goldenrod" (TV movie). 1.16 am Encounters at Walsingham.

BORDER
12.30 pm Vet. 1.20 Border News. 1.30 The Entertainers (Lonnie Donegan). 6.00 Lookaround Friday. 6.30 That's Nollywood. 7.30 The Fall Guy. 10.30 Springsport. 11.00 Danger UXB. 12.00 Border News Summary.

CENTRAL
12.30 pm Vet. 1.20 Central News. 1.30 At Home with the Spinners. 6.00 Central News. 7.30 The Fall Guy. 11.00 Central News. 11.05 Starring William Holden: "The Counterfeit Traitor."

CHANNEL
11.05 am Look and See. 12.30 pm Vet. 1.20 Channel Lunchtime News, What's On Where and Weather. 1.30 At Home with the Spinners. 3.45 Welcome Back Kotter. 6.00 Channel Report followed by What's On Where. 6.30 Brown Study. 7.30 Hart to Hart. 10.28 Channel Late News. 10.35 Aujourd'hui en France. 10.40 Mysterious Tales. 10.45 Continental Cinema: "The Investigator." 12.30 am News and Weather in French.

GRAMPIAN
9.30 am First Thing. 12.30 pm Vet. 1.20 North News. 1.30 Counterpoint. 3.45 European Trick Billiards. 6.00 North Tonight including Sports Desk. 7.30 The Fall Guy. 10.30 Friday Late Night Film: "The Night of the Big Heat," starring Christopher Lee, Peter Cushing and Patrick Allen. 12.10 am North Headlines, Road Report.

GRANADA
11.54 am Watoo Watoo. 12.30 pm Vet. 1.20 Granada Reports. 1.30 Exchange Flags. 1.55 Our Little Town. 3.45 European Trick Billiards. 6.00 Kick Off. 6.30 Granada Report. 7.30 The Fall Guy. 11.00 A Week on Friday. 11.30 For Adults Only: "The Secret," starring Jean-Louis Trintignant.

HTV
11.50 am Cartoon Time. 12.30 pm Vet. 1.20 HTV News. 1.30 At Home with the Spinners. 3.45 How's Your Father? 6.15 Benson. 6.00 HTV News. 6.30 Mr and Mrs. 7.30 The Fall Guy. 10.28 HTV News. 10.30 The Good Neighbour Show. 11.00 The Late Night Film: "Sapphire," starring Nigel Patrick and Yvonne Mitchell.

HTV CYMRU/WALES—As HTV WEST except: 11.34-11.48 am About Wales. 12.00-12.10 pm Bath Am Stori? 4.15-4.45 Pren Y Sywed. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.30-11.00 Outlook.

SCOTTISH
12.30 pm Vet. 1.20 Scottish News. 1.30 Square One. 3.45 Money-Go-Round. 5.15 Mr and Mrs. 6.00 Scotland Today. 6.25 Sports Extra. 6.45 Hear Here. 7.30 Charlie's Angels. 10.30 Ways and Means. 11.00 Late Call. 11.05 The Streets of San Francisco. 12.00 Barney Miller.

TSW
11.55 am Look and See. 12.30 pm Vet. 1.20 TSW News Headlines. 1.30 At Home with the Spinners. 3.45 Welcome Back Kotter. 5.15 Emmerdale Farm. 6.00 Today South West. 6.30 What's Ahead. 7.30 Hart to Hart. 10.40 Mysterious Tales. 10.45 Continental Cinema: "The Investigator," starring Alain Delon and Simone Signoret. 12.30 am South West Weather.

TVS
12.30 pm Vet. 1.20 TVS News. 1.30 Sygones. 3.45 Survival. 5.15 Watch this Space . . . 5.30 Coast to Coast. 6.00 Coast to Coast (continued). 6.30 Friday Sportshow. 7.30 The Fall Guy. 10.30 Sportshow Special. 11.30 Horror: "I, Monster," starring Christopher Lee and Peter Cushing. 12.50 am Company.

TYNE TEES
9.25 am The Good Word. 9.30 North East News. 12.30 pm Vet. 1.20 North East News and Lookaround. 1.30 Benson. 3.45 Doctor Woman. 6.00 North East News. 6.02 Sportstime. 6.30 Northern Life. 7.30 The Fall Guy. 10.32 North East News. 10.32 Friday Live. 12.00 Superstar Profile. 12.30 am Poet's Corner.

ULSTER
12.30 pm Vet. 1.20 Lunchtime. 1.30 Sygones. 3.45 Survival. 4.13 Ulster News. 6.15 Hear Here. 5.30 Good Evening Ulster. 6.00 Good Evening Ulster. 6.30 Diff'rent Strokes. 7.30 The Fall Guy. 10.29 Ulster Weather. 10.30 Witness. 10.35 Counterpoint Special. 11.35 News at Bedtime.

YORKSHIRE
12.30 pm Vet. 1.20 Calendar News. 1.30 Presenting Billie Jo Spears. 3.45 European Trick Billiards. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 Calendar Sport. 7.30 The Fall Guy. 11.00 Pro-Celebrity Snooker. 11.45 Mannix.

LONDON

9.35 am Schools Programmes. 11.55 Comic Stories. 12.00 Song Book. 12.10 pm Once Upon a Time. 12.30 Second Thoughts. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Bailey's Bird. 2.00 After Noon Plus, presented by Elaine Grand and Simon Reed. 2.25 Racing from Doncaster (covering the 2.30, 3.00 and 3.30 races). 3.45 Wild, Wild World of Animals. 4.15 Dr Snuggles. 4.20 Razzmatazz. 4.45 The Haunting of Cassie Palmer. 5.15 Square One presented by Joe Brown.

5.45 News.

6.00 The 6 O'Clock Show, presented by Michael Aspel with Janet Street-Porter and Fred Housego.

7.00 Family Fortunes, presented by Bob Monkhouse.

7.30 Hawaii Five-O, starring Jack Lord.

8.30 The Gaffer, starring Bill Maynard.

9.00 We'll Meet Again, starring Susannah York and Michael J. Shannon.

10.00 News.

10.30 Bizarre with John Byner.

11.00 The London Programme: The Fight to Buy Council Homes.

11.45 Thriller.

12.55 am Close: Sit Up and Listen with Roy Plomley.

† Indicates programme in black and white

RADIO

(S) Stereophonic broadcast

RADIO 1
5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.30 Newsbeat. 5.45 Roundtable. 7.00 Andy Peebles. 10.00-12.00 The Friday Rock Show (S).

RADIO 2
5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News, Sport. 6.00 John Dunn (S). 8.00 Victor Silvester Jnr. and his Orchestra at the Radio 2 Ballroom (S). 8.45 Friday Night is Music Night (S). 9.55 Sports Desk. 10.00 Listen to Les says Les Dawson. 10.30 Anything for a Laugh. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3
6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued) (S). 9.00 News. 9.05 This Week's Composer: Liszt (S). 10.00 Vanessa Scott, song recital (S). 10.50 Clarinet Quintets (S). 11.35 BBC Scottish Symphony Orchestra (S). 1.00 pm News. 1.05 Violin and Piano, recital (S). 1.50 Guitar Recital (S). 2.15 Beethoven and Schumann, piano recital (S). 3.00 Orchestra of St. John's, Smith Square (S). 4.00 Edinburgh Festival: A cequence for Lent (S). 4.55 News. 5.00 Mainly for Pleasure (S). 6.55 Play it Again (S). 7.00 Goethe's Poetry. 7.30 BBC Symphony Orchestra Concert from the Guildhall, Portsmouth, Part 1: Busoni, Bartok (S). 8.25 Bakky (short story). 8.45 Concert, Part 2: Beethoven (S). 9.40 Words. 9.45 Samuel Barber, piano recital (S). 10.10 Cesar Franck: String Quartet recital (S). 11.00 News. 11.05-11.15 Randall Thompson (S).

RADIO 4
6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.35 Yesterday in Parliament. 8.57 Weather. 9.00 News. 9.05 Desert Island Discs. 9.45 Feedback. 10.00 News. 10.02 International Assignment. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 The Fall of the Shah. 11.50 Bird of the Week. 12.00 News. 12.02 pm You and Yours. 12.27 My Word! (S). 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.05 Poetry, Please! (S). 4.15 What's that You're Reading? 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News, including Financial Report. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter From America by Alistair Cooke. 9.30 Kaleidoscope. 8.59 Weather. 10.00 The World Tonight. 10.35 Week Ending (S). 11.00 A Book at Bedtime (S). 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 Miles Kington. 12.00 News.

THE ARTS

Cinema

Whatever Lola wants . . . by NIGEL ANDREWS

Lola (AA) Paris Pullman and Screen on the Hill
Evil Under The Sun (A) Warner West End, Studio, Classic Tottenham Court Road, ABC Shaftesbury Avenue
Celeste (AA) Camden Plaza
I Live In Fear (A) Gate Camden
The Little Foxes (A) Gate Notting Hill

No one in the world today is making films like Rainer Werner Fassbinder. Some may offer up a quiet vote of thanks for the fact. *Lili Marleen* was hung, drawn and quartered in many circles—though I'll happily go to my grave proclaiming it a masterpiece—and RWF's newest film *Veronika Voss* produced head-shakes and tortured expressions at the Berlin Film Festival this year.

Lola, made between the two, is probably the most bizarre of all the filling in this sandwich trio of films set in wartime and postwar Germany. You expect to spend the first five minutes of any Fassbinder film in shock —no one assaults the screen with such storm-troop colours or lunges at his characters from more guerrilla angles— and in *Lola* the five minutes of *astonishment extend* to about 40.

Blobs of red, mauve, yellow, blue bob-and-billow across the screen and spill over the characters. The texture is often grainy and pitted like sandpaper, as if shot on reject Technicolor stock. And meanwhile an alarmingly peculiar story unfolds about a small-town cabaret singer (Barbara Sukowa) who falls in love with an upright, uptight architect (Armin Mueller-Stahl) and masquerades as a Nice Girl to meet and court him. We're in 1950s Adenauer Germany and the Phoenix nation is rising, with a creak and clatter of wings, from the economic ashes.

The girl's other lovers in the town—the carnal cynical property tycoon (Mario Adorf) who beds her nightly in a room upstairs at the cabaret, and the Bakunin-reading anarchist (Mathias Fuchs) who idolises her from afar—stand by uncomplainingly. The first because he knows the town's interests are at stake: the architect must be kept happy and pliant so that contracts may be signed and building-grants forked out. The second because courtly love draws the line at vulgar interference.

In short, it's a roundelay of exotic hypocrisy and reined-in passions that might have sprung from an Ibsen play. And it's staged by Fassbinder in child's-building-block hues and crazy-paving compositions that have already driven some critics to their dictionary of pejoratives.

But as in *Lili Marleen* the colours and camera-angles are not adorning the story, or needlessly distracting from it: they *are* the story. With Fassbinder, film is not just narrative, it's painting. The grainy-garish look is studiously culled from shoestring sex films of the '50s—all *those Schoolgirls Report No 382* and *Helga Makes a Date with Helmut* that used to pour out of Germany (we had our own equivalent in British nudist pictures)—and the style places the film not only in a specific period but in a specific mock-tawdry battlefield between naivety and corruption, simpering innocence and simple lusts.

Just as those '50s titillation quickies punched life into cardboard sets and waxen acting with colour-filter lighting, Fassbinder orchestrates virtually the whole of *Lola* with filters. But under his baton there are strategy and design at work and they're dazzling. Lola herself is *ironically arrayed in warm* to red-hot colours. (In one scene she's even posed on her bed striped all over by a Neapolitan-ice lighting-design of red, orange, yellow, pink). The architect, by contrast, cooler, more cerebral, dons the signature-hue of *blue: sometimes an all-over* filter-light, sometimes just a key-light that shines an eerie azurine rectangle on his eyes in a scarlet nightclub or a lemon-y office.

If the film sounds peculiar, it is. It's also novel, startling and thrilling. Fassbinder's characters are richer-textured here than in *Lili Marleen*. Sultry-jawed siren Barbara Sukowa makes Lola appealingly and believably soul-sundered; one moment smacking out sexy songs like a salamander who's set herself on fire, the next donning virgin-white to tryst with her beloved in a sun-lit church.

Mueller-Stahl makes the architect a holy fool marvellously switching from the priggish to the tragic. When the scales fall from his eyes on first visit to the nightclub and he discovers his beloved's true occupation, *The Blue Angel*, not surprisingly, bobs into mind with bells ringing. But where Emil Jannings was a pop-eyed pathos merchant at the mercy of Lola-Dietrich in that tale of love's labours scorned, Mueller-Stahl keeps his stride and cracks only internally, slowly. The result tugs our heart even more.

Lola is the best Fassbinder film I have ever seen, and though it's set in generation-ago Germany it's the most "modern" movie to be seen in London: full of the possibilities of what cinema can do, which he not *just in telling a story but in* painting emotions and ideas with colours and images.

*

The Agatha Christie films tend to limit their possibilities to shuttling chess-piece superstars around sun-drenched settings and requiring them to prove their whereabouts at the Vital Hour. Where were they when Lady Carlisle was punctured with a sharp instrument in the library? or Sir Roger Maltravers plied with a poisoned prawn cocktail at the Captain's table?

"Kindly ask our friends to foregather in the lounge" intones Peter Ustinov, preening a moustache and Belgian accent as H. Poirot. And 15 minutes from final whistle in *Evil Under The Sun* they duly foregather: Maggie Smith, Colin Blakely, James Mason, Sylvia Miles, Nicholas Clay, Jane Birkin, Roddy McDowell. The whole cast, in short, save for murder victim Diana Rigg who has been strangled on the beach.

We are in a luxury hotel on a Mediterranean island and Miss Rigg, a much-hated musical-comedy actress, has spent the film's first hour swanning through it at high speed supplying her fellow guests with murder motives. "Have a murder motive," she all but volunteers. "Thanks, don't mind if I do," Maggie Smith, the hotel's proprietor and once a fellow-chorine with Miss R., is the only one with long-reach antagonism toward her since she nastily gargles, "Even in those days she could always kick her legs up higher than anyone else. And wider . . ."

The murder plot itself is so convoluted that you barely notice it's also bristling with *incongruities*. (Is Sylvia Miles's all-important inner clock in the speedboats sudden or has she bad it since childhood?) But the Majorcan setting, beetle-cliffed and boat'd with bougainvillea, are a pleasure to the eye, Anthony Shaffer's screenplay is well primed with *bons mots*, and Ustinov and Company keep a twinkle burning through all the tintinabulations of intrigue. Best of the series so far.

*

"I was sitting here with the third croissant, but Monsieur did not ring." *Celeste*, based on the memoirs of Marcel Proust's housekeeper, is like a *belle epoque* version of *Waiting for Godot*. Celeste Albaret looked after the dying scribbler during his mostly bedridden days when he was writing the last 3m or 4m pages of *A La Recherche Du Temps Perdu*. German director Percy Adlon has "dramatised" his story in a series of *tableaux* scarcely *vivants*, more semi-comatose. Eva Mattes plays the heroine pale and plump-cheeked, as an ever-vigilant acolyte, and the film presents her plumping his pillows, attending to his fits and arranging his scarce dinners-out to meet people whom he will turn into characters. (They include "the young Jean Cocteau," an odd parlance in Proust's mouth since it suggests familiarity with the old Jean Cocteau.)

The film is worthy, slow and for the most part painfully dull: lantern-slide extentialism in grey and black and lemon and duck-egg blue. Adlon seems asphyxiated by reverence. The clock on the kitchen table never stops ticking; the scribbled pages snowfall about the bed; and we never do discover if Monsieur rang for that third croissant.

*

Even *Celeste*, however, is a firework display compared to *I Live in Fear* (1955), a "lost" Kurosawa film that someone has had the misfortune or ill-judgment to find. Toshiro Mifune dons glasses and streaky old-man make-up to play a Japanese patriarch terrified by the atom-bomb. And mercilessly voluble about his fears to his family. Endless talk in gloomy interiors, and Kurosawa directs with cramped style as if scenting the project's doom.

*

Better to join Bette Davis in a revival of *The Little Foxes*. Here you may measure one superstar's celluloid assumption of the Hellman hellion against another's newer stage version. Elizabeth Taylor fans, beware.

Barbara Sukowa as Lola

Covent Garden

Salome

Though the compelling reason for attending this Royal Opera revival is Josephine Barstow's Salome, it has enough supporting virtues to make it a creditable affair.

Ragnar Ulfung repeats his fastidiously conceived Herod, in excellent voice; the thoroughness and distinction of his performance are not quite matched in the other roles, but none is weakly filled. Bernd Weikl makes an effective Jokanaan, hovering somewhere between the tried-and-true alternative readings of the part: pitch not sharply enough focused to project the stern prophet, delivery too relaxed to suggest the fervent visionary, but it works. So does Josephine Veasey's Herodias, though she too takes an indecisive middle way, neither gross royal monster (the Astrid Varnay model) nor cool, implacable hater (the vein which might bring out Miss Veasey's best, if only the production would encourage her).

We have Gwynne Howell's excellent Nazarene again, and Claire Powell is a good Page. On Wednesday Ramon Remedios stepped into the role of Narraboth, sawing the air repetitiously but cutting a good figure and singing very well. The action has been staged this time by Elijah Moshinsky, lucidly and with more attention to psychological detail than to the setting of royal pomp — Herod's court seems a very informal gaggle, like neighbours at a bonfire. For Miss Barstow Eleanor Fazan has devised a "dance" — it isn't exactly that, and involves an indeterminate number of scarves rather than seven veils — which is dramatically purposeful, and lacks only a sufficiently forceful climax.

Zubin Mehta's account of the score is well-proportioned, and at the showier orchestral moments he secures some striking colours; elsewhere there were many scamped details on the first night. Where Strauss's rhetoric becomes measured and sonorous—in Jokanaan's music, obviously, but also in some recurrent punctuation — Mehta generally sounded fidgety, with the result that the score seemed more than usual to want muscle. Later performances may take on a firmer ring. At least he was expertly solicitous for his Salome, whose timbre—reedy, interesting, slightly hollow—needs coddling in this noisy opera.

In fact Miss Barstow commands a marvellous range of expressive vocal shades, which she draws upon as much for musical ends as for theatrical ones. All that she cannot do is flood the auditorium with golden tone. Her final monologue doesn't, therefore, provide the performance with an ultimate vocal thrill, but needs to be completed by the true dramatic ending—which Moshinsky, like many another producer, has fudged. Strauss's score is as explicit as Wilde's original text: by the end, Salome has become a figure of such potent horror that nothing less than her violent obliteration, a brutal stamping-out, will make a catharsis. Here she is merely, tamely stabbed (though that is an improvement upon the original production, where Grace Bumbry had to wait patiently to be bisected by a slowly closing cistern-lid).

Still, if Miss Barstow is denied a satisfyingly smashing demise, she does everything to earn it. It is a brilliant, uncanny performance. Her coltish Salome, eyes playfully a-glitter, is a supremely spoiled child, all innocent perversity, tinder awaiting a fatal spark. She prances, pouts, shrinks back in sudden shyness; all this is vividly captured in what the voice makes of the music—often very beautiful, always with a vulnerable edge. Our last vision of her, after the execution and the erotic autopsy, is poignant and dreadful: she rocks appalled between childish triumph and a sense of irrecoverable disaster. Miss Barstow takes magnificent risks very boldly. Golden voices rarely do so much.

DAVID MURRAY

Josephine Barstow

Collegiate Theatre

Eritrea by RODNEY MILNES

Phoenix Opera's staging of *Eritrea* for the Camden Festival proves once and for all—as if proof were needed which, alas, it still is—that Cavalli communicates most directly with audiences today *in propria persona* and without the intervention of "realizers."

The piece itself is strong, much revived in the 17th century when revivability was only an incidental consideration. First performed in a small theatre, it is wholly concerned with character. After the brief prologue, interfering divinities are mercifully noticeable by their absence; the human beings sort out their own destinies, and their predicaments certainly have the Shakespearean resonance claimed, less justifiably, for the same composer's *L'Egisto*.

Since we are listening to a sung play, *Eritrea* is very properly given in Anne Ridler's exemplary translation, which is both singable and highly literate (her use of half-rhyme is especially ingenious). The cunningly varied pacing of the dialogue and the very subtle balance of response to verbal and musical demands are faultlessly controlled by Jane Glover, conducting her own edition. Period stringed instruments are used, few of them and very well played for once, and the rapport between the singers and the continuo accompaniment in recitative is admirable: for much of the time Dr Glover can afford to stop conducting and simply let them get on with it. The piece has obviously been meticulously prepared.

The cast is first-rate, with all of them concentrating on singing the words, not just the notes. The plot, incomprehensible on the page but crystal-clear on the stage, centres upon the eponymous Assyrian princess being disguised as her own brother for dynastic reasons. The resulting gender-blur is typical of the librettist, Faustini. Sally Burgess made Eritrea's Viola-like predicament very real, sang most expressively, and her change of heart was as convincing as her eventual reversion to femininity, was curiously touching.

Cast as the prince driven mad by Eritrea's supposed death was James Bowman, in both excellent voice and picturesque disarray: he has some exquisite music to sing and sang it exquisitely. Adrian Thompson, cheerfully at case in the high-lying tenor role of Eritrea's faithless lover, also made every single word tell; as the Phoenician queen mystified by her "husband's" lack of sexual ardour Sandra Browne was perhaps a little too forceful: I fancy she would have got to the bottom of things before the first act was out. Excellent support from Johanna Peters as the Nurse (delivering her one-liners with inimitable panache), Linda Ormiston as the pert Page, and Ann Mackay as a libidinous fisherwoman.

Tom Hawkes's stylish production catches precisely the right balance between raunchy comedy and genuine sentiment; Terence Emery's simple set is beautifully lit by Neville Currier, and his fanciful costumes are 17th-century for the ladies and amusingly Panto-Oriental for the gentlemen. More successfully than any other Cavalli performance I have heard, this one exudes sophisticated enjoyment, musical, verbal and visual. The remaining performances tonight and tomorrow are highly recommended. But don't linger: "House Full" notices on the first night.

Oxford Playhouse

And a Nightingale Sang . . .

by B. A. YOUNG

This charming play is the only play by C. P. Taylor to have had a commercial production in the West End, and not surprisingly it didn't do well. The wartime life of a working-class family in Newcastle is no material for the theatregoers of Shaftesbury Avenue. Doubtless they all watch the peacetime life of working-class families in Salford in *Coronation Street*, but these are shown to them in different circumstances.

And a Nightingale Sang . . . is indeed a kind of Geordie *Coronation Street*, though the characters are rounder and more imaginative than in that endless serial. (And yet how good *Coronation Street* was 20 years ago when it was young and fresh!) Mr Taylor's Newcastle family consists of George Stott (Tom Dickinson), who works in the shipyards and relaxes at the piano to the current songs; his wife Peggy (Sandra Voe), a cheerful housekeeper totally subject to the Roman Catholic church; and their daughters Joyce (Holly de Jong), whose romantic weaknesses are muted by her inability ever to make up her mind, and Helen (Gabrielle Lloyd), who believes that her limp renders her permanently unattractive, and makes up any unmade-up minds she meets. Helen also comes downstage sometimes to fill in narrative details.

Add to these Andie, the comic grandfather with his dog (which we only encounter in a sack on its way to burial) and his cat (never released from its travelling box) and a soldier each for the girls, and the picture is complete. Both the girls have unsatisfactory boyfriends. Joyce's Eric (Robert Glenister) lavishes his affections too widely and is less than perfectly tactful; Helen's Norman, having persuaded her that her lameness is no bar to love, ultimately decides to go back to the wife and son he has been hiding from her.

The rest composes the trivial round, the common task, full of little events that make me feel that the play was originally thought of in serial terms, and presumably for radio (hence the narrator). It is all most thoughtfully and sympathetically shown, and admirably played by this company, which includes two Geordies and a former member of Newcastle University Theatre to ensure convincing accents. (Norman's Brum is bang on, too.)

The director is Nicolas Kent, who spreads the action over a complex set designed by Tanya McCalin, based on the Stott kitchen but including three or four other locations as instantly as television. The knowledge, kindness and humour of the play are characteristic of Cecil Taylor's writing, even if the simple domesticity is not. His recent death at quite an early age is a great loss to the theatre; but adventurous directors will find a lot of good work left, that has not been widely enough seen. Someone, for instance, should do something about *Wolter*, starting by turning it from two plays into one.

Festival Hall

Leipzig Gewandhaus

Any of the London orchestras would go down on bended knees for strings as finely blended and responsive as those of the Leipzig Gewandhaus, and be similarly grateful for an equivalent brass section. A lack of character in the woodwind seems to be this fine orchestra's only appreciable weakness, with a thinness to the solo playing that is too easily masked. Conducted by its one-time principal conductor Kurt Masur, the Leipzig Gewandhaus gave a concert for the Royal Philharmonic Society on Wednesday, at the start of a tour of Britain.

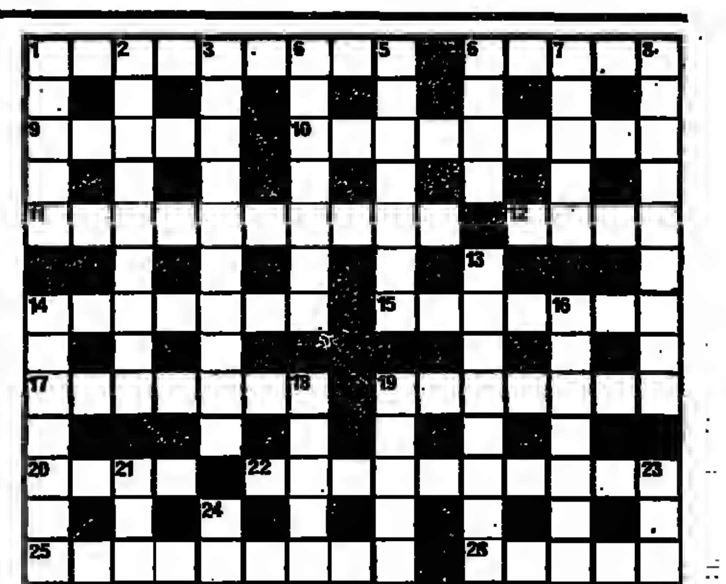
It was a brave gesture to make Bruckner's third symphony the centrepiece of the programme: unfashionable and, according to some commentators, weakest of the canon, it requires a certain amount of indulgence on the part of both interpreters and audiences. There were moments in Mr Masur's account when he did not seem quite sure how far this indulgence should be extended, and at that those points the performance lapsed into an unremarkable neutrality, to be stirred only when the music itself found new inspiration.

But those inspirations abound, even when the structural logic falters. The third symphony is a melting pot of Brucknerian ideas, some of them destined to surface again in refined form in later works, some of them fascinating blind alleys never to be explored further. A conductor who tries to hold each movement on a tight rein is asking for disaster, and Masur sensibly allowed the first movement its head, at some cost to its continuity though the reflective moments were textured quite magically. Fine pointing, too, in the scherzo and a smartly galumphing trio to complement it; that the finale failed to deliver its dramatic promise was as much the composer's fault as the conductor's.

In comparison, the first half of the concert had been a model of rectitude. Barber's Adagio for Strings—curious choice, but included to conform with the Royal Philharmonic Society's American theme this season—was cultured and respectful, while Strauss's Four Last Songs had an unduly restrained, muted feel. Heather Harper was a similarly careful soloist, sometimes backwardly balanced against the orchestra.

ANDREW CLEMENTS

F.T. CROSSWORD PUZZLE No. 4,832



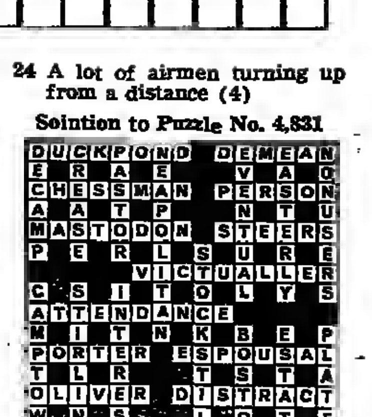
ACROSS

1 A short suit in paper carrier bag? (5-4)
6 Fish for a ray around Riverhead (5)
9 Part of a flower that learner copies in return (5)
10 Bring up a conspicuous person seen at the back of a vehicle (4-5)
11 Elemental material for printing making an exact duplicate (6, 4)
12 Personal magnetism in front of church creating irritation (4)
14 Vegetable, sprouted around everything (7)
15 Raise and inspire to cheer (7)
17 Concentrated in time (7)
19 Drink with little child in breaks (7)
20 Vaulted passage could he cunning (4)
22 What bad drivers do to achieve a quick result (3, 7)
25 Could it be a fruit-stone that's obsolete? (3-2-4)
26 False notions changed in a lido (5)
27 Spill a feeble light (5)
28 Conifer for example, that is continually immature (9)

DOWN

1 British Academy, thus, is fundamental (5)
2 Emmet following a meaning that's crucial (9)
3 Force with permit to settle in uncultivated field (6, 4)
4 Disturbed pair, going to bed, could be in a jam (7)
5 Without sufficient warning (7)
6 Thrash a supporter (4)
7 Therefore this initially could spoil the lawn (5)
8 Incomparable hut without a light (9)
13 Socialist taking her call, but it's a ruse (3, 7)
14 Porridge or prison before a trial (9)
16 Staring open-mouthed and turning on me in a religious community (9)
18 Immitate a bird out of office (7)
19 Hide esoteric note (7)
21 Criticise severely and be deeply affected (3, 2)
23 Fry eggs (5)
24 A lot of airmen turning up from a distance (4)

Solution to Puzzle No. 4,831



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Strategy at sea in a sieve

EVER SINCE the startling change in monetary targets in the Budget, when they were restated in terms of faster growth from a much higher base, the City has been arguing hotly about whether anything worthy of the name of medium term financial strategy survives.

The theoretical debate appears balanced. Government defenders claim that the new targets are a realistic adjustment to changes in bank behaviour—the kind of change which Lloyds Bank, for example, was demanding some months ago. Cynics retort that they had understood that monetary policy was about controlling banks, not adjusting targets to suit their convenience.

Judging by market behaviour rather than verbiage, the cynics have held the field; the markets continue to behave, as they have for six months, as if we had an exchange rate target—which is actually being hit rather regularly—and not a monetary target. The fixed interest markets watch the behaviour of sterling, and little else. We ourselves have urged that this policy, if made explicit, would be both more workable and more influential in the places where the prices of goods and services are set than the present declared regime.

Deceptive

It may seem churlish, then, to complain that the Government covers its retreat with confusing talk, since the actual conduct of affairs seems sensible; but it is worth examining a little more closely what is involved in maintaining the charade of monetary control, while pursuing other objectives. This is much easier than it once was, because the Bank of England is nowadays refreshingly open.

In the new issue of the Bank's quarterly bulletin, published today, there is a lucid description of its day to day operations in the money markets, and an interesting journal of the conduct of monetary policy in the year up to February. The detail is fascinating, and there is one significant new piece of analysis. The building societies are making their own deposits, including the term shares which are treated statistically as long term investments, more and more readily encashable. Even the broadest measure of liquidity, then, PSL2, which has been cited repeatedly as showing that liquidity is "really" under control, is probably deceptive. In a permissive system, statistics have no stable meaning.

The general picture of policy, however, is familiar. Day to day operations are based on an unpublished interest rate objective — derived, the market believes, from the exchange markets. The rest of policy seems designed to accommodate whatever credit demand emerges without unruly money supply members.

Large scale

To this end, as we have pointed out before, the authorities are going in to the commercial lending business on a large scale. In the year to February, on a measure adjusted for the civil service strike, the borrowing of the public sector was over-funded by £3.25bn. This sum provided most of the finance for the rapid growth in official holdings of commercial bills, and thus a sizable proportion of the whole growth of commercial lending. Since the counterpart of this lending was a rise in gilt-edged investment and national savings, it did not affect the money supply.

This could be defended as a perfectly sensible approach if it really did restrict private sector liquidity—the declared objective of the strategy—and if it were consistent with banking prudence. We would question it on both scores.

Real concern

So far as liquidity is concerned, the figures for old-fashioned M3, which includes foreign currency holdings, tell their own story. In a free exchange market, policy contains liquidity like a sieve. Partly because sterling was weak, so that the value of some balances rose strongly, this figure grew by more than 20 per cent in 1981, and was still more than 17½ per cent above the previous year by February.

So far as banking prudence is concerned, growth has been achieved at a cost of a steady fall in the quality of bank assets, as they have run down first their holdings of government securities, and latterly some of their commercial loans. Such questions, rather than a range of increasingly obscure members, should be the real concern of monetary policy.

Violence on the West Bank

THIS WEEK'S renewed violence on the West Bank and Gaza underlines again the very limited progress which has been made in the past four years towards negotiating a comprehensive settlement to the Arab-Israel dispute, and the continuing risks of a wider conflagration.

The final weeks before Israel returns the last slice of Sinai to Egypt on April 25 under the terms of the peace treaty were always likely to be tense. The assassination of President Sadat in October encouraged extremists on both sides to believe that the agreement could still be frustrated. They hoped to exploit the inevitable suspicions aroused by a change of régime at such a sensitive moment.

Mr Sadat initially intended that peace should be offered to Israel in return for the Sinai and a just solution for the 1.1m Arabs living under Israeli occupation in the West Bank and Gaza. The second part of the deal has remained dangerously neglected.

Autonomy

The negotiations on Palestinian autonomy established at Camp David by the U.S., Israel and Egypt are hopelessly bogged down and Israel has never hidden its intention of one day making a formal claim for sovereignty over the West Bank. Subsequent Israeli action has tended to confirm that intention. The policy of building Jewish villages in the occupied territories has been accelerated: Israeli law has been applied to the Golan Heights, in what amounts to annexation of Syrian territory; the refusal to consider negotiations with the Palestine Liberation Organisation has remained total; and more recently attempts have been made by Israel to promote local Arab organisations to rival the PLO's claim that it is the sole representative of the Palestinian people.

The replacement of the Israeli military authorities in the occupied territories by a civilian administration appeared to many Palestinians to be yet another step towards the establishment of a permanent Israeli presence. This view was reinforced when the civilian administration sacked the mayor of El Bireh in what may have seemed to be the start of a campaign to remove those elected Palestinian leaders most known for their PLO sympathies. The protests which followed and the Israeli response have led to one of the worst outbreaks of violence in the West Bank and Gaza since they were occupied in 1967.

The lamentable killings on both sides this week can provide the pretext, if one is needed, to widen the conflict beyond the West Bank. The danger is all the greater because of the domestic political situations in the countries most immediately involved.

Future

Egypt is the one restraining factor. President Mubarak will not do anything, whatever the provocation, which could be used by Israel as a reason for postponing its withdrawal from Sinai. The same cannot be said of Syria's President Assad. He is under severe political pressure at home and his standing in the Arab world rests to some extent on his championing of the Palestinian cause. It would be difficult for him to remain uninvolved if fighting were to break out between the PLO guerrilla army in southern Lebanon and Israel.

The political future of Mr Menahem Begin, Israel's Prime Minister, is also in some doubt. He wanted to resign earlier this week following a tied no-confidence vote in the Knesset over his handling of the West Bank situation, but he was voted down by his Cabinet. He risks defeat in the Knesset again next Monday on the interim Budget. With opinion polls swinging in his favour he may welcome the chance to call fresh elections.

Atmosphere

It was in the run-up to the last Israeli election that Mr Begin authorised the attack on Iraq's nuclear reactor and, shortly after the vote, launched the heaviest assault on Palestinian guerrillas in Lebanon since the 1978 invasion.

Today in both Israel and parts of the Arab world the atmosphere is becoming more conducive to those who favour extreme solutions. The events in the West Bank and Gaza and the proximity of April 25 are a reminder of the urgent need to find a formula which will carry the peace process beyond the return of Sinai and offer some hope of an equitable solution to the Palestinian issue.

BRITAIN'S INNER CITIES

Mr Heseltine banks on FIG

By Robin Pauley

WITH one short sentence at the beginning of his radical report after last year's urban riots, Mr Michael Heseltine, the Environment Secretary, is said to have so incensed Mrs Thatcher that she personally scrapped the whole study.

The opening sentence said: "It took a riot to make the Cabinet take inner city problems seriously." Mr Heseltine's colleagues were not flattered. And the Treasury had severe reservations about the cost of some of his ideas. But nobody ever imagined that so much of the report would be abandoned as it has been.

However, the anniversary of the first riots is fast approaching and a growing number of Cabinet ministers — recognise that not a great deal has been achieved.

They are hoping that there will be no flashpoint this year. Whether there is or not, they have little alternative but to look again to Mr Heseltine. He does have one card up his sleeve: but it does not look like an ace.

The card is his Financial Institutions Group (FIG). It is a group of 25 people seconded for one year from the banks, City institutions and several private companies to examine inner city problems and also to encourage institutions and companies to look at themselves and change their attitudes.

It is about to bring forward some new initiatives, but some of its members fear that, starved of enough funds, they could yet be dismissed as window dressing rather than real solutions to a potentially explosive problem.

FIG's major initiative for inner city areas will be the Urban Development Action Grant (detailed elsewhere in the paper), modelled on U.S. attempts to combine public and private sector investment to turn commercially marginal projects in less attractive areas into viable plans. Mr Heseltine is anxious to announce this scheme as soon as possible if civil servants in the Environment Department can be persuaded to treat the subject with more urgency than that which finally led to the detailed announcement having to be pulled out of the Budget speech.

FIG members are particularly unhappy that only £70m is available for the scheme, since it is to be spread among six partnership areas (the most deprived), 15 programme authorities and 14 Other Designated Districts (ODDSs). The six partnerships are Birmingham, Hackney-Islington, Lambeth, Liverpool, Manchester-Salford, and Newcastle-Gateshead.

They are also sceptical about the civil servants' view that only projects of £1m and above should qualify and Mr Heseltine also feels that smaller schemes ought not to be excluded.

The whole group meets Mr Heseltine regularly but does most of its detailed work in small sub groups. Most of these have abandoned more grandiose ideas such as rebuilding Lambeth brick by brick or restructuring the entire British education system. They are now working on detailed and practical initiatives with some urgency. The work being done by these groups includes:

Mr Michael Heseltine, the Environment Secretary (right), is much concerned about the problems of Britain's inner cities. They contain about 7 per cent of the population but,

- 14 per cent of the unskilled workers
- 20 per cent of households in housing stress
- 33 per cent of Commonwealth immigrants
- twice the national rate of unemployment
- up to 10 times the national proportion of people living below the Supplementary Benefit poverty line
- up to four times the degree of domestic overcrowding found elsewhere in cities

Development

This group is looking at what hinders development in inner cities and has proposed a new initiative which is likely to be accepted—ICE or Inner City Enterprise. This would be a service company to seek out large investment projects for inner cities.

A companion scheme—ICEBERG, a group to commission pension funds and institutions to finance such projects—is less likely to succeed and is expected to be scrapped by Ministers. But they like ICE, which could be a company made up of a few professionals financed by the Government or the institutions to examine and identify the best projects for institutional investment — currently a very crude and haphazard affair. ICE could also play a role in the distribution of UDAG-type funds.

Another idea from this group is "Twinning"—the coupling of a large company with a small area of an inner city such as Toxteth, to take an interest in it at senior management level and encourage board members to visit and develop a relationship in the hope that something more spontaneous might result as a spin off.

Mr Heseltine is very keen on the plan, as it reflects his experiences in Liverpool. Since his two-week visit after the riots he has returned nearly every week since.

Housing

The Budget proposal to allocate an extra £100m to councils in 1982-83 for home improvement grants is the translation of a recommendation pushed very hard by FIG even though it represents a reversal of previous Conservative policy.

Other housing initiatives from FIG include the more serious pursuit of EEC funds for housing repair and improvements in urban stress areas.

- A scheme for private sector high risk loan funds.
- A plan to establish an Equity Mortgage Corporation. This would be a new body to take money from institutions and on-invest it with building companies and housing associations.
- A new Government Housing Bond—the issue of a special bond to try to give an indexed return on money used for lending to housing associations and equity-sharing schemes.

This bond could raise a large amount of institutional money while keeping the institutions out of managerial involvement which could be left to the management abilities of the housing associations. This idea has attracted widespread interest although it is something that is supposed to be already happening through the Building Trust, which gives index-linked mortgages.

- Agency Housing Services, based on U.S. Neighbourhood Housing Schemes, to give advice to private individuals to encourage them into home ownership. FIG's enthusiasm for this scheme has led to a pilot project in Leeds (funded by the Leeds and Halifax Building Societies) where staff seconded from the local council and building societies have set up in a caravan to channel people to mortgage sources, explain mortgage schemes and stamp duty, etc.

Two major FIG housing projects have been abandoned so far. One was for a major scheme of direct investment in shared home ownership by pension funds which has been scrapped because the pension funds do not want to do it. The other was the "privatisation" project for council house management, which the housing sub-group wasted countless days and weeks, long after it became crystal clear that the Government would not have it.

In the end Mr John Stanley, Housing Minister, had to step in and put a personal stop on what would have been a plan to hive off council estates in blocks of 5,000 or so tenants to private management companies for "intensive management." The group is now looking for a way of privatising empty council blocks.

Employment

The employment sub group is pulling together detailed plans for a Selective Employment Grant which proposes giving a grant of £50 per week to employers in defined inner city areas for each person they employ from the long-term unemployed list (one year or more).

The grant would be payable in addition to any other general employment subsidy schemes which might be introduced so that employers in inner urban areas would still have an added incentive to take on labour from areas where the local adult male jobless rate is now 20 per cent in some cases.

This sub-group is also proposing a survey of companies in growth sectors such as electronics on their policies and attitudes to investment in inner city areas and is looking for new ways to encourage exporting companies in inner urban areas.

The group is also urging the standardisation of the professions and banks to become involved itself in such advice centres and aftercare centres, probably under the Industry Department which is already involved itself in such advice. They would become one-stop shops where all the information covering all aspects of business start-up and financing is available. FIG also wants the professions and banks to become more involved in this work.

Another area where the group feels some standardisation is vital is within British industry and Government purchasing policy where the stated intention to help small firms is strong but proof of progress is weak. The Environment Department spends about £500m a year on purchasing, 99 per cent of it British and most of it by the Property Services Agency (PSA).

Yet when FIG asked for details, the PSA failed to identify a single inner city firm which had been awarded a contract and had no monitoring of who applied for contracts from where or who wins what. Nor had it looked at the possibility of breaking big contracts down into smaller ones to help smaller firms. FIG was unimpressed and is now recommending a major advertising campaign to encourage small firms to be put on the "invitation to tender" list.

Small firms

The group examining this, one of the Government's favourite subjects, is about to propose a wealth of initiatives based on their study of the "equity gap." They include:

- An extension of the business start up scheme.
- Changes in the structure of tax relief for investment in the scheme.
- Extension of tax relief to cover employees as well as employers in qualified companies within the scheme.
- Power to be given to the Inland Revenue to allow a company to qualify for relief even if it has failed on technical grounds.
- An end of the rule that approved funds must be treated as unauthorised unit trusts.

The small firms group is also beavering away at the intractable difficulties of planning and regulation in sec whether there is a way to deregulate some of the more complex bureaucracy and time-wasting procedures. They are also studying the possibility of adapting Special Development Orders for inner cities.

But whatever happens in these areas, one of the most controversial features of FIG remains its conclusion that regional policy is in a state of total disarray under the Industry Department and that it is counter-productive to have allocations of grants and schemes split between ministries.

The consensus feeling currently seems to be that the Environment Department should have control of the entire subject. But Mr Patrick Jenkin, the Industry Secretary, is reluctant to lose any of his powers to Mr Heseltine.

Men & Matters

Dent takes off

Dunlop's top management will be stretched pretty thinly in the near future. Sir Campbell Fraser, chairman, is about to begin his two-year stint as president of the Confederation of British Industry. He and his CBI officials acknowledge that it is a time-eating job.

And John Dent, aged 59, managing director of Dunlop handed in his resignation yesterday morning at a board meeting in the group's St James headquarters after the Department of Trade officially acknowledged he is the dark horse nominee for the chairmanship of the Civil Aviation Authority. Alan Lord, managing director of Dunlop Holdings, and currently Campbell Fraser's number two, can look forward to a very full work load until some new postings are made.

Why is Dent leaving Dunlop after 14 years to take a three-days-a-week job at the CAA? He will be paid £29,000 a year (the same as his predecessor Sir Nigel Foulkes) so the money certainly is not the attraction. He has been earning much more at Dunlop where senior executives are in the £40,000 to £70,000 bracket.

"I'm looking forward to shorter hours, less travelling over weekends, and more time at home" he says. An engineer by training and a former guided weapons expert with Shorts and Hawker Siddeley he has the modest ambition to fit up a new workshop at his Northamptonshire home and spend more time as an amateur cabinet-maker.

At the CAA, however, he will be juggling with some hot potatoes. In particular the authority will have to grapple with the reallocation of airline routes in coming months as British Airways, British Caledonian, and their rivals, pitch in for the Laker Airways business.

He is also on the boards of Pirelli General, the cable company, and the National Coal Board. Now that Arthur Scargill is the new leader of the National Union of Mineworkers I would not give much for Dent's hopes of spending many happy hours at the peaceful pursuit of woodwork.

Brothers grim

The TUC will in future do good by stealth. Doing it noisily has caused too many heartaches.

A lorryload of food for Poland left Congress House on Wednesday to much clicking of lenses and whirring of news film.

Senior union leaders like Moss Evans of the transport workers, Frank Chapple of the electricians, Clive Jenkins of the white-collar union ASTMS, and Len Murray himself were pictured loading a trailer and smiling benignly on each other.

The photographs appeared in yesterday's papers—and caused much gnashing of teeth in the Esher headquarters of the General and Municipal Workers. For it was they, and they alone, who organised the food supplies, and whose representatives on the General Council—David Basnett and Ken Baker—were conspicuously absent.

Most of the gnashing was done by Bobby Smith, who organises the GMWU's members in the food and drink industries. It was he who wrote round his members' companies asking for aid. They came across handsomely, he says: United Biscuits alone gave £100,000 worth of biscuits, while Rowntree Mackintosh, Rank Hovis Macdougall, Lyons, Brooke Bond and others also contributed. Yet the GMWU, which had organised the largesse, was unpictured and unsung.

Balm was poured on the wounds as yesterday wore on. It appears that Ken Baker would have been in the picture—but the lorry was an hour late in turning up, and he couldn't wait. No hard feelings, was the official word. Cynics in the GMWU, however, point to the fact that the lorry's driver was one of Moss Evans' members.

"Mr Whitelaw not only wants justice to be done, he wants it to be seen to be done!"

Down market

Not much cheer about the Common Market's 25th anniversary celebrations in Strasbourg yesterday.

President of the EEC Council Leo Tindemans refused "to believe that creativity in Europe is dead" but found it hard work trying to resurrect the spirit of the founding fathers in the European Parliament's half-filled chamber.

President of the Commission Gaston Thorn fared little better with his call to action that sounded more and more, as he went on, like a recital of past failures.

"Courage . . . will . . . determination . . . challenge . . ." The words were limply applauded by MEPs who rapidly relapsed into glum contemplation.

Piet Dankert, the Parliament's newly-elected president, was unable even to raise the odd note of optimism sounded by Tindemans and Thorn. Time was running out, he warned. "I only hope we can say that we have succeeded in another 25 years."

Travelling man

It was little more than a week ago that the de Haan family—of Saga/Laker fame—was throwing a party with Laker Holidays' managing director George Carroll to announce that everything in the Laker package garden was now lovely.

Little did they know. Carroll was already being head-hunted by a major Laker rival, the dark-spectacled Sidney Silver of Cosmos Tours, whose board he now joins.

In recent years Carroll's tour-operating side of the now-deceased Laker operation has been a money-spinner and, long regarded as Sir Freddie's right hand, he was thought unlikely ever to be tempted away. But, come the crash, it was not only Saga that saw Carroll's worth.

Silver knows too how Carroll must have felt. It was, after all, Silver who ran the Four S Travel operation of Horizon for the then owner Vladimir Raitz before it collapsed a decade ago.

Cosmos, the Swiss-owned and Liechtenstein-based company, was among the bidders for both Laker Holidays and Arrowsmith beaten by the de Haans and Greenall Whitley. Having failed to get the companies, Silver clearly opted for the top man instead.

Split vote

"I used to enjoy being a schizophrenic but now I'm in two minds about it."

Observer

THE LONG WAR WITH IRAN

Iraq: now the debts pile up

By Roger Matthews

IN THE past 12 months Iraq has borrowed an estimated $22b—nearly as much as Poland's total debt to the West. It has done so without causing the slightest flutter on international markets and on terms which would be the envy of most debtor nations.

During the course of this year Iraq will want to borrow more, perhaps another $10-15bn, a trend which threatens to continue for some time after its war with Iran comes to an end. The bulk of these funds will again be provided by Saudi Arabia, Kuwait, United Arab Emirates and Qatar but, as their oil surpluses decline, Iraq may be forced to look further afield.

Iraq's massive borrowing requirement is just one element in the shifting balance of economic, political and military power in the Middle East caused by the length of time it is taking to grind down Iran's capacity to export its Islamic revolution.

The revolution in Iran had already wreaked havoc on its economy before the war began 18 months ago. By contrast, in September 1980 Iraq was on the verge of being recognised as a major regional power and was about to realise its potential as an exciting new export market for the industrialised nations.

The wealth of Iraq is relatively broadly-based. It has oil reserves which may come to rival those of Saudi Arabia. Unlike many other oil producers it has immense agricultural possibilities in the historically fertile lands between the Tigris and the Euphrates. Its population of 14m is growing at one of the fastest rates in the world. It had drawn up ambitious plans to develop both its infrastructure and its manufacturing capability. And the joint effect of the Iranian revolution and Egypt's isolation had given the regime its chance to aspire to the leadership of the Arab world.

Those ambitions have now been postponed. The length of the postponement will depend both on the duration of the war and the impact it has on Iraq's domestic stability.

There appears little question of Iraq losing the war in any conventional military sense. Iran lacks the capacity to win it, while defeat would amount to political suicide for the Iraqi regime. Moreover, neither the majority of the Arab world nor the western nations could afford the political implications of an Iranian victory.

There is also no lack of *regional and international* interest in watching Iraq blunt the edge of the Iranian revolution while at the same time reducing its own capacity for promoting abroad the virtues of its particular brand of Radical Arab socialism.

One Iraqi official summed up the view which appears to be gaining ground among the more sophisticated sections of Baghdad society: "Essentially we are fighting on behalf of the U.S. By crushing Khomeini we are doing their work for them and it is costing Washington nothing.

"At the same time we are protecting Saudi Arabia and the other Gulf oil producers, which is also in American interests. And, of course, we know that after the war we will have to sell as much oil as possible to pay for the costs of reconstruction. That is also in American interests."

However, it is hard to escape from compromise when war calculations go so badly astray. Iraq had expected to fight at best for a few days, at worst for a few months before the Tehran regime collapsed. Now President Saddam Hussein and his senior aides are preparing the public for a war which will continue for another year or perhaps two years.

The cost to Iraq has already been heavy in human and material terms. Even if the fighting ended tomorrow the economy would have to remain on a war footing for some considerable time. It was stated officially in Baghdad last week that it will take between five and seven years to restore oil facilities to the point where they can handle Iraq's pre-war exports of 3.5m barrels a day.

Even allowing for a degree of exaggeration aimed at countering Iran's expected claim for war reparations as part of any peace settlement, these forecasts indicate Iraq's serious economic position. The present capacity of the three Mediterranean terminals in Turkey, Syria and Lebanon used by Iraq is 1.4m barrels a day, but due to the current world oversupply of oil Iraq is managing to sell only about 900,000 b/d. If there is no further sabotage to the pipelines, Iraq's oil revenues this year should be between $9bn and $10bn, compared with $30bn before the war.


President Sadam Hussein: off to the front-line

No official statistics have been published in Iraq since 1977 but it is known that non-military import requirements this year were budgeted at about $18bn. To this $8bn shortfall in the balance of trade has to be added the heavy cost of military purchases and the drain imposed by the remittances sent out of the country by non-Iraqi workers.

Apart from the $22bn Iraq borrowed last year, most of which has now been disbursed, it also ran down its reserves from an estimated level of $25-30bn to $12-15bn. The regime will not wish to see its reserves dip much below $10bn and therefore is bound to seek fresh funds in the next few months.

How much it will look for is the subject of intense speculation but most guesses are in the $10-15bn range. The four Arab countries who provided the $22bn—equivalent to almost half their combined oil revenue surpluses last year—will wince at any further request from Iraq but they are unlikely to refuse.

M. Claude Cheysson, the French Foreign Minister, referred during his recent visit to Baghdad to the fear of Iran that existed in the Gulf oil-producing countries. To which *President Saddam Hussein* is reliably reported to have replied: "Yes, but they are also very afraid of me."

Fear and Arab solidarity may not be enough, however, to sustain Iraq without eventual recourse to international markets. Unless there is a near-total reversal in oil price movements, Iraq's revenues ceiling is set at about $12bn a year until its deep water terminals at the head of the Gulf are again in operation.

Some estimates suggest that it could take up to 18 months after the cessation of hostilities before Iraq's ports on the Shatt al-Arab and Umm Qasr waterways can be fully utilised. This is the length of time which may be needed to dredge the waterways, clear them of unexploded bombs and shells, and free the 80 ships trapped there.

This, at least, is good news for the international army of truck drivers, among them 400 Britons, who have descended on Iraq to benefit from the biggest road transport boom that the Middle East has ever seen.

One of the main visual pleasures of Baghdad used to be that the palm trees were generally taller than the buildings. Today the palms are dwarfed by a forest of tower cranes stretching out their arms *over streets* choked by bulldozers and heavy lorries.

Floodlights burn late over building sites in the desperate rush to complete facilities for the Non-Aligned Summit scheduled for September. Every other street is being ripped apart to put in new water, sewerage, phones and power facilities.

The Government has pledged that these major strategic projects will be completed on schedule, regardless of the war. There is already evidence that other schemes are being slowed, postponed or shelved.

Apart from financial constraints, this would anyway have been inevitable due to the strain on manpower. In addition to the regular armed forces strength of close to 300,000, another 500,000 men will by the end of this year have joined the so-called Popular Army.

The Government is also spending—and importing—heavily in order to cushion the impact of the war on the public. For every family which has lost a son there is the material compensation of a free car worth about $20,000 on the local market, a free plot of land and an interest-free loan to build a house.

The massive weight of the relatively skilled propaganda machine also plays a major role in explaining away the pain of the estimated 30,000 dead and another 60,000-70,000 who have been wounded.

The merits and virtues of the war and those of President Saddam Hussein are inextricably intertwined. Not a day passes without exhaustive television coverage of the President exhorting his men, walking hand in hand with his tiny daughter, or scoring direct hits with rocket-propelled grenades on the firing range.

There is no evidence to suggest that the war has yet become so unpopular that it poses a direct threat to the regime. But following the murder of President Sadat of Egypt, the security services under the command of Saddam Hussein's half-brother, Barzan Ibrahim al-Takriti, are all too well aware of the risk posed by a single highly motivated member of the armed forces.

Iraq is undoubtedly ready for peace on almost any terms which could be presented to the public as having won for the country its "just rights." Equally the régime is no longer under illusions that the war has brought Iran much closer to the negotiating table.

If, then, the fight is to be to the economic death, Iraq cannot afford to ignore any avenues of support. On the political front this may involve a reconciliation with Egypt if President Hosni Mubarak attends the Non-Aligned Summit in Baghdad, even closer ties with the conservative Arab oil producers, and a further distancing from some of the more radical, less-affluent regional states.

Economically, it is already clear that Iraq is playing a major role in the recycling of Arab oil surpluses. There are now suggestions that Iraq is interested in suppliers' credits and it may not be too many months before it makes a first tentative approach to the international banking community.

Meanwhile, the war has still to be won. The renewed intensity of the fighting this week and President Saddam Hussein's departure for the front line yesterday underline the continuing seriousness of the military situation.

Malcolm Rutherford's "Politics Today" on the Hillhead by-election will appear tomorrow.

Lombard

The dangers of Japan-bashing

By Duncan Campbell-Smith

THE LATEST Japanese trade delegation in town has had a tough assignment. Mr Masumi Esaki, a former Minister of International Trade and Industry, and his colleagues on the delegation have been explaining the honourable efforts of the Japanese government, as seen from Tokyo, to help foreigners sell into the domestic market.

They won't have expected a very appreciative audience and they didn't get one. There was much rattling of protectionist sabres under the table. Officials in Washington, Brussels and London, like an EEC delegation to Tokyo in February, awarded their Japanese visitors few marks out of ten for achievement and even fewer for effort. Must Try Harder, in short.

The Japanese think they have tried pretty hard already. Non-tariff trade barriers—the jargon for a jungle of import restrictions which have effectively constituted tariffs over the years—are being simplified on 67 counts. (The West placed an order for 99 simplifications last year). A trade ombudsman has been appointed. Some leading European exporters have acknowledged a brighter outlook.

Western trade officials tend, not unjustly, to see any progress as a reward for their persistence. Beyond the present battle over import procedures is the whole question of Japanese quality control. Trade imbalances—about £1.2bn between Japan and the UK alone last year—still need every ounce of *pushing the West can muster.*

But when push becomes shove, one or two pointers from the Japanese martial arts might be in order. You do not throw your judo opponent by constant frontal assault, however hard you push. Indeed, you only risk adding your own weight to the force with which he might make an unpredictable response.

The force in *this case* is that powerful streak of xenophobia which runs through Japanese society. Sharply contrasting attitudes towards the West have coloured Japan's modern history. Many of her senior diplomats and trade officials privately express real anxiety that the post-war era of Japanese admiration for the West is now ending.

Any evidence of such a transition is regarded with some foreboding by those—and there are many in Japanese public life—who are only too well aware of the impact of popular xenophobia on their country's history.

The 1931-41 era—the Japanese describe it as the "Dark Valley" years—followed the demise of a sustained period of pro-Western liberalism. It is a precedent privately cited with alarm by more than one observer of Tokyo's reactions to the present round of trade talks.

A possible drift towards arrogant economic nationalism has been widely discussed in the Japanese Press.

Some Japanese officials have no doubts that the home affairs ministries have recovered a pre-eminence which they lost in the 60s and 70s to foreign departments, notably the Ministry of International Trade and Industry.

It is no coincidence, they say, that Mr Zenko Suzuki, Japan's present Prime Minister, has far less understanding of foreign affairs than most of his post-war predecessors.

Western talk of protectionist measures may be fully justified but the danger of misjudging Japan's reaction in the longer term is growing fast.

It might be a serious error to assume that protectionism would be an adequate defence of Western trade interests in any event. Japanese officials *know* the potential impact of their industry on the arms sector. The prospects of a much closer relationship with Asia and the Pacific Basin are also discussed — though this is obviously a subject of *some* delicacy.

The growth of the region's other local economies has pre-empted the old concept of a co-prosperity sphere. But the potential for change is there and was abruptly brought home to Lord Carrington on his recent trip to South East Asia.

"Today we shall use English," said one prominent minister, earnestly prefacing a private meeting. "One day we shall use Japanese."

Letters to the Editor

Reducing lead intake: many fumes that pollute

From Mr G. Oxley

Sir,—As an employee of Associated Octel, I have naturally been reading with considerable interest the articles and correspondence prompted by the *Campaign for Lead-free Air.*

I am bound to be accused of having a vested interest in retaining lead in petrol but, as a scientist educated and trained in critical judgment, I feel I must point out a fundamental failure in the arguments of the anti-lead lobby. This lobby bases its case on the evidence in published scientific work which suggests an association between blood lead values, lead content of children's milk-teeth, etc and factors such as IQ and hyperactivity. At best, these associations are very poorly defined but leaving that aside, this still does not establish a case and effect relationship.

In the case of lead burden associated with IQ or hyperactivity, surely the underlying cause is poor social conditions. Old and dilapidated housing, poor diet and general deprivation are the conditions for *higher* than normal lead intake from water, food, old lead-based paint, etc. They are equally the conditions which are highly likely to retard a child's mental development and create stress *within the family* group.

I must admit to a genuine respect for Mr Des Wilson when was conducting the "Shelter" campaign. If he is now concerned to see lead intake reduced and children's development opportunities improved, he should campaign for better social conditions and not allow himself to be persuaded by the facile arguments of those campaigning against lead in petrol. In short, there are better ways of spending available resources.

G. R. Oxley.
10, Crossley Drive,
Heswall,
Wirral,
Merseyside.

From Mr W. McMillan

Sir,—It is unfortunate that in the last paragraph of his letter (March 23) Dr Robin Russell Jones (Campaign for Lead-free Air), appeared to impugn the scientific integrity of professional people in the employ of Associated Octel and suggest that those of us with trade union backgrounds have been misinformed. As a sincere member of a knowledgeable professional body this discipline will have taught him the danger of such "snap" judgments.

It is axiomatic that a campaign concerning itself with air pollution will examine the whole problem. Every major city in the UK has allowed efficient pollution-free electric tramcars, to be replaced by diesel 'buses with their noxious, polluting (and non-lead) exhaust fumes and is permitting ever-larger diesel lorries to use wider roads within their boundaries.

Toxic fumes from millions of gas fires and central heating boilers are allowed to pour into the air we breath, yet CLEAR *and its supporters* raise not a word of complaint.

For over 10 years Associated Octel, deeply concerned that our wasteful use of carboniferous fuel was a threat to the quality of life for future generations, has, in common with the oil and motor industries, been engaged in the development of filter technology and high efficiency engines. The superb high-compression Metro is among the first of the British motor industry's answers to the more pollutive low-compression foreign competition.

The difference between CLEAR campaigners and those of us who work in the petrochemical industry is that, while claiming no monopoly of truth and virtue, we work with our professional and medical management towards a cleaner environment and a more responsible attitude towards the conservation of finite materials. CLEAR clings tenaciously to a single issue. Its genuine doubts and fears seem to have blinded it to the fact that we have common cause in our wish to make the world a better place for us all to share.

Wallace E. McMillan.
116, Church Road,
Bebington, Wirral,
Merseyside.

Political footballs

From Mr F. Law

Sir,—Hazel Duffy's article (March 12) on "How not to run the public sector" was indeed timely.

Employees, executives and top management in public sector companies, I have found to be as efficient as their colleagues in the private sector, and certainly as dedicated if not more so.

The uncertainty which must continue to exist in most public sector companies, however, does create a feeling of frustration *and it is surprising and* speaks for the people working in these companies, that there is not more of a "I don't care what happens" spirit around.

These companies have for too long been *political footballs,* it is this which makes running them almost impossible.

Years ago, you were kind enough to allow me space in this column, to plead with politicians not to go in for a nationalise-denationalise policy. Apart from the enormous amounts of money which the nation loses in these exercises, it is certain that the dedication of those working in public sector companies will eventually erode. Then, we will have reason to complain about their efficiency.

F. S. Law.
61 Cadogan Square, SW1

Mindful of their viewers

From the Assistant Commercial Director, Yorkshire TV

Sir,—Chris Dunkley's article, "If more means better" (March 17) is, I presume, to be regarded as a piece of provocative journalism rather than a serious thesis, or does he really believe that TV companies should put resources at the disposal of any producer "who is fantastically keen on some particular subject"?

[The word should have been "fanatically."—Ed.]

As commercial (or at least publicly accountable) enterprises, TV companies need to be mindful of their viewers' tastes and interests if they are to provide a satisfactory service. This may, indeed, involve making programmes to cater for a socially segmented audience in the same way that any successful business identifies and serves its customer, but it does not preclude innovation, whim or enthusiasm among producers.

Gerald Harris,
Yorkshire TV,
The Television Centre, Leeds.

The Budget proposal for petroleum tax

From Mr G. Miller

Sir,—I wish to protest against the form of the Budget proposal for the replacement of supplementary petroleum duty by advance payments of petroleum revenue tax (APRT).

The Chancellor stated in his speech "I see in particular the advantage of profit-related taxation in relation to additional investment in existing fields."

In my view, this advantage applies to all investments in all fields. APRT is, however, a revenue-based *tax, and only* becomes profit-based when an actual PRT liability arises. In the case of the small accumulations this may never happen.

It is fairly common ground that the chances of finding giant accumulations of oil in the North Sea or, particularly, onshore are now remote, and that further discoveries are likely to be relatively modest in size. On a representative set of assumptions a PRT liability will only arise on fields in excess of some ... barrels, and it must be reasonable to assume that *several of the accumulations yet* to be discovered will be below this size. The effect of the APRT proposals (including the oil allowance) will, however, together with Royalty obligations, amount to a *requirement* to pay over to the Government some 20 per cent of all revenues on all fields as soon as production commences, which, on a field of less than 50m barrels, will result *in the remaining 80 per cent of* revenues being insufficient to cover capital costs and the interest thereon. The tax will be paid, although no profit is made, and such tax payments will not even be a charge for corporation tax purposes, as would be the case for PRT itself. It is small consolation that in these circumstances unrelieved APRT will be refunded *at* the end of the field life, many years after its payment, without interest, and eroded by inflation.

These new tax proposals will be of positive benefit to certain foreign oil companies, who will be able to obtain tax *relief* in their own countries in respect of APRT payments, which they cannot obtain in respect of SPD. The proposals are neutral in the case of those companies (of whatever nationality) and of those fields where there will clearly be an early liability to PRT. They completely fail, however, to alleviate for British companies the burden imposed by SPD in respect of those fields which do not give rise to a PRT liability, and may never do so.

In this respect I believe that the Budget proposals fail to *give effect to the objective of* replacing the revenue-based SPD by profit-based taxation, and, in so failing, unreasonably impair the position of British companies relative to foreigners, and small fields relative to large ones. As a result British companies will be less willing to explore and to develop small fields which they may discover, and will be obliged to abandon producing fields at an earlier date than would otherwise be the case.

I therefore hope that Parliament will see fit to correct this undesirable effect during the committee stage of the Finance Bill.

George S. Miller.
18 Woodlands Road,
Barnes, SW13.

Lucas recovery continues midway

COMPARED with losses of £26.09m last time, Lucas Industries, the vehicle and aircraft accessory manufacturer, has turned in pre-tax profits of £7.02m for the half-year ended January 31, 1982 and an improvement in profits is expected in the second six months.

First-half results were after redundancy costs of £2.28m (£7.31m). These compare with total redundancy and closure costs of £26.44m (£12.19m) for the whole of the previous year, when a pre-tax loss of £21.43m was incurred (£40.96m profit).

The interim dividend is unchanged at 2.6p net per £1 share—last year's final distribution was 8.4p.

External sales for the six months amounted to £601.66m, against £543.29m, and exports from the UK increased by £12m to £124m.

Mr Godfrey Messervy, chairman, says that in the UK, car production was 20 per cent higher than in the corresponding period last year, but commercial vehicles were 19 per cent and tractors 13 per cent lower. The vehicle industries in Germany and Sweden showed some improvement whilst that in France is little changed and those in Italy and Spain showed a decline.

Overseas, the market situation is mixed, with demand strong in India and South Africa, but in steep decline in Brazil and Argentina. In the U.S., vehicle production showed a further drop to a very low level, "but despite this we have increased our sales by 45 per cent — arising from our increased penetration of the diesel equipment market." Reflecting these trading conditions group vehicle equipment businesses both in the UK and overseas have shown a small increase in volume, the chairman says.

Sales of aircraft equipment continued at the high level achieved last year, but in December, Lockheed decided to terminate the production of the TriStar aircraft and sales of the long range Boeing 747 are much lower — both of these aircraft fit Rolls Royce RB211 engines.

In January, the Government announced the slowing down of the Tornado programme. "These changes have led to a reduction in demand for some of our equipment and our factories in Burnley have been particularly affected, resulting in the need to reduce their workforces," Mr Messervy states.

The group has almost completed the divestment of unprofitable businesses in the industrial systems division, and the chairman says there is now a sound and profitable base on which directors expect to build.

The present level of vehicle production in the UK and Europe, is expected by the directors to be maintained, but there is as yet no signs of a stronger recovery in demand.

There has been a sharp fall in demand for the group's diesel engine equipment in the U.S., because of a decline in sales of diesel engined cars, and the difficult trading conditions in Brazil and Argentina are expected to continue. Businesses elsewhere, however, are expected to perform well, particularly in India.

Mr Messervy says that results of the group's aircraft business in the second half will be affected by the reduction in supplies for the Rolls-Royce RB211 engine and the Tornado, and by the start-up costs of two new factories at Bradford and Huyton.

Above the line, research and development expenditure increased from £26.78m to £28.22m, and interest charges were higher at £14.87m, against £12.61m.

After tax, £4.76m (£5.42m), net profit was £2.26m (£31.51m loss) giving a per share value of 1.94p (33.63p loss).

See Lex

HIGHLIGHTS

Lex focuses on the results of two major companies which reported yesterday: Lucas Industries and Ocean Transport and Trading. Lucas shows a small pre-tax profit of £7m in the six months to January compared with a loss of £26m in the same period of a year earlier. But recovery has been very slow. Ocean's 1981 performance indicates a small decline at the pre-tax level from £35.3m to £33.4m but the figures are complicated by a change in accounting policy in respect of its important associate OCL. Finally the column looks at the Bank of France's fight to stave off devaluation of its currency within the European Monetary System, which yesterday involved a tightening of exchange controls. Elsewhere in company news BSR reports a sharp turnround at full year from a £17.7m loss to a £4.5m profit, while Tricentrol's net income was down from £17.7m to £14.4m for 12 months. Metal Closures moved ahead from £5.5m to £6.1m and Cambridge Electronic Industries slipped to £5.9m, compared with £6.2m.

Enlarged ADP makes £0.9m for quarter

BENEFITS from the acquisitions made by Amalgamated Distilled Products have shown through strongly in the first full trading quarter of the enlarged group, and resulted in the hoisting of the net interim dividend by 50 per cent to 0.75p.

The purchase of Liquorsave retail trading had a significant impact on cash balances, which stood at £4.6m at December 31 1981, and George Morton made a strong first profit contribution on improved margins. This, coupled with the additional profitability the acquisitions generated on other ADP activities and the growth of whisky exports against the market trend, meant the group was able to achieve a pre-tax of £1.01m for the six months to December 31 1981.

This compares with £95,000 for the first half of the current year, £116,000 for the six months to September 30 1981 and £117,000 for the last full year, on which a total dividend of 1p was paid.

On current trading Mr James Gulliver, chairman, says further growth is anticipated both at home and abroad.

He points out that the Christmas quarter traditionally provides the major profit contribution, while the final quarter usually makes the smallest. The full benefit of the acquisitions and their overall effect on profits has still to be achieved, he states, but the current trading position is encouraging in the light of the difficult UK economic conditions and continuing high levels of interest and duty rates.

	Nine months 1981-2 £000	Six months 1981-2 £000	1980-1 £000
Turnover*	45,961	7,682	4,340
Prod., sales and marketing	16,397	6,152	4,340
Retailing liquor and tobacco	29,534	1,530	—
Operating profit†	11,446	‡273	368
Prod., sales and marketing	950	282	368
Retailing liquor and tobacco	496	11	—
Expenses	286	182	143
Interest	329	200	276
Net operat. profit	831	‡109	‡51
Except. trading items††	266	288	230
Share of joint ventures	7	‡10	‡3
Cnv. ln. stk. int.	98	62	60
Profit before tax	1,006	95	116
Tax	16	16	(a)16
Profit after tax	1,022	111	100
Minorities	4	nil	nil
Extraord. debits	(b)306	(b)306	nil
Available	712	‡195	100
Int. div.	131	131	38
Retained	581	‡326	62

*Includes results of George Morton and North West Vintners (Retail) from their respective dates of acquisition of September 3 1981 and September 24 1981. †After charging depreciation of £42,000 and £28,000 respectively on freehold and long leasehold buildings that in previous years had not been depreciated. ‡Loss. ††Comprises: EEC restitution payment for malt barley purchases 1973-1981 £315,000 (£315,000 and nil); recovery of costs on sale of stocks to banks £225,000 (£225,000 and £230,000); provision against the repurchase value of whiskies previously sold to banks £282,000 (£282,000 and nil). The recovery of costs on sale of stocks to banks has been amended in respect of the six month period to September 30 1980 to show the gross recovery before interest adjustment. The company has arranged to repurchase in April 1982 all whiskies previously sold to banks and in view of the current depressed market conditions a provision has been made against the outstanding repurchase value. (a) Credit. (b) Includes the estimated closure costs of the bonded warehouse activity of export Bottlers and also a provision against the book value of the freehold of the bonded warehouse situated in Liverpool.

The group now operates with two main divisions: production, sales and marketing, which incorporates Scotch whisky distilling, blending, bottling and warehousing and rum blending and bottling, together with UK wholesaling and distribution and export sales; and the retailing of liquor and tobacco, mainly through some 300 Liquorsave stores operated within the Kwiksave supermarket group.

Mr Gulliver reports that within production, sales and marketing the Scotch whisky trade remained in a depressed state and a cut in distilling operations resulted in further losses at the Glen Scotia Distillery. However, current production levels should result in at least a break-even position.

Blending and bottling operations at Grangemouth achieved a much improved performance which is being maintained.

Depressed market conditions for Scotch whisky had an adverse effect on operating margins in respect of sales to trade customers and it is anticipated this is likely to continue.

In the U.S. ADP/Medley Import Company has recorded a gradual improvement as the year has progressed, particularly with regard to imported beers.

Recently acquired additional agencies for beers and spirits should further contribute to profitability after some initial promotional expenditure, says Mr Gulliver, and the company is actively pursuing its stated objective of seeking to establish a substantial U.S. business by direct investment or acquisition.

Basic earnings per share at December 31 1981 totalled 9.05p, compared with 1.26p for the first half of the current year and 1.33p for the first half of last. Fully diluted they are given as 7.85p (1.43p and 1.52p).

The balance sheet at the end of 1981 shows cash balances of £4.6m (£346,000 and £15,000) and shareholders' funds of £11.49m (£10.57m and £4.23m).

● comment

The Morton and North West Vintner acquisitions are not only maintaining their own momentum but also contributing to the fortunes of ADP's previously lacklustre assets. Morton, for example, is said to account for more than 40 per cent of the nine months' operating profit on production, sales and marketing. That suggests the profits on distilling, blending and bottling operations have been improving considerably because of the increased outlets for their products. Similarly, the Medley joint venture in the U.S. is benefiting from the increased product line from the UK. At 79p, down 3p, the shares are clearly looking beyond current year profits, which will probably end up at about £1.5m. Next year could see £2.5m on which the prospective fully taxed p/e is nearly 14.

Manders ahead at £4.02m

MANDERS AHEAD OF £4.02m

ALTHOUGH difficult conditions in the UK paint and printing division resulted in a decline in a £0.3m profits, overall taxable profits for Manders (Holdings) rose from £3.38m to £4.02m.

The final net dividend has been lifted to 4p (3.5p) making a higher total of 5.4p (4.8p). Stated earnings per share were ahead at 15.6p against 13.57p.

Tha directors of this paint and printing ink manufacturer say that, as forecast, property income rose substantially. Overseas results continued to improve, particularly in Africa, they say.

Taxable profits broken down into divisions were: overseas printing ink £555,000 (£423,000); United Kingdom Property £1.73m (£1.3m). Interest received rose to £404,000 (£24,000).

Tax took £1.65m (1.3m) leaving profits after tax of £2.36m (£2.07m). Minorities took £75,000 (£73,000) and extraordinary debits came to £24,000 (£17,000) leaving attributable profits ahead at £2.26m (£1.98m).

CCA profits stood at £3.4m against £2.59m.

Seafield Gentex in profit

TEXTILE producers and retailers Seafield Gentex returned to taxable profits of I£75,723 in 1981 compared with losses of I£1.84m in the 15 months to December 31 1980. Turnover fell from £11.82m to £5.54m.

The directors say that within the context of the depressed trading conditions, the group's performance for the year was fair. They argue that the strength of the Irish pound against sterling in the second part of the year adversely affected this period.

They say they are continuing in their efforts to dispose of the company's holdings in industrial yarns.

There were tax credits of £46,258 compared with £190,258 last time.

Friedland Doggart Group

Pre-tax profits of Friedland Doggart Group improved from £821,310 to £1.47m in the year to December 27, 1981. The final dividend is raised from 2.87p to 3.15p net for an increased total of 5.1p compared with 4.72p.

Tax for the year took £641,000 (£337,000 credit), leaving net earnings down from £1.16m to £825,700. Stated earnings per share were lower at 13.4p (18.91p).

On a CCA basis, attributable profits were £204,327, compared with £407,355.

Friedland Doggart manufacture domestic and industrial sound signalling equipment, injection and compression mouldings, and plastic toys.

Further progress gives BSR £4.5m for year

AS EXPECTED, further progrese in returning BSR to profitability was made in the second half of the January 9 1982 year. Following a £7.9m turnround to a £2.77m profit at halfway, this audio, electronics, housewares and industrial group came through with taxable profits of £4.47m for the full period, compared with losses of £17.68m.

Boosted by acquisitions, the electronics division's sales jumped by £57.4m to £75.8m and lifted the group total to £204.6m, against £141.3m.

A breakdown of the four sectors, between sales and trading profits, £11.6m (£6.4m losses) shows: audio £90.5m (£70.5m) and nil (£8.7m loss); electronics £75.8m (£18.4m) and £10.1m (£2m); housewares £25.9m (£29m) and £0.8m (nil); industrial £22.4m (£23.4m) and £0.7m (0.3m).

Stated earnings per 10p share are 3.41p, compared with 14.69p losses, and the final dividend is 0.5p making a 1p net total for the 12 months—both interim and final were omitted last time.

Up to the end of October last, results of both the audio and housewares divisions were on course for a much better year, the directors state. However, because of economic conditions in the U.S. and UK sales for the last two months of 1981/82 were substantially lower than those budgeted, which resulted in short-time working for the period.

Results of the electronics division were on target, directors state, and Astec International, which became a wholly-owned subsidiary last July, exceeded forecasts.

Although the level of demand on the housewares side is sluggish, directors are hopeful the restructuring programme, carried out last year, in conjunction with new products planned, will show an improvement in the profitability level.

A real improvement is anticipated in the industrial sector for the current year, while the electronics division should continue its upward trend in profitability.

The directors say that the group has agreed to supply a range of AC electronic ballasts to one of the largest international companies in this field whose sales of ballasts are worldwide. Production will commence later in 1982, but the impact of this product on profits will be from 1983 onwards.

After a tax credit of £562,000 (£4.98m), minorities, £1.22m (£421,000), and an extraordinary debit of £2.96m (£2.91m) the attributable figure came out at £852,000, against a £16m loss.

Extraordinary items comprised of £5.76m closure costs for the period and a £2.8m credit for a breach of covenant claim.

The directors explain that the Capetronic acquisition agreement contained a covenant relating to a minimum level of profits from June 20 1981 to December 31 1981. As a result of a breach of this covenant a claim amounting to some US$5.4m (£2.8m at January 9 1982) has been lodged with the vendors by a wholly-owned subsidiary.

Having taken legal advice the directors are of the opinion that the claim, which is being contested, is valid and of standing, and have included it as a credit in the p and l account.

● comment

A slowdown in UK consumer demand at the end of 1981 took some of the glitter off BSR's recovery. Even so, the audio division came back to break-even after catastrophic losses in the previous year, while housewares generated a trading profit of £0.8m. Capetronic, which was bought to provide capacity for BSR's transformation into a Far Eastern electronics group, fell short of its warranted profits. As a result there is now a £2.8m claim against the vendors (and a corresponding provision below the line in BSR's accounts). But developments in the electronics division are going in other respects as planned; BSR will be producing monitors in Taiwan this year, and two new factories will both be functioning by May or June. Investment of £5m is to be paid for from the cash flow of these Far Eastern businesses, so it will put no strain on the highly geared UK balance sheet. In the UK, it is now hoped that the latest factory closure has brought audio capacity down to meet demand, but there is little optimism for record-playing mechanisms in the longer term. The most hopeful news is coming from the Industrial division, where competitors have dropped out and volume increases are consequently expected. At 76p (down 3p), the share price still has a speculative air about it; the yield is 1.9 per cent and the p/e is astronomic.

New Attwood expects £0.24m

STOCK Exchange dealings in the shares of Attwoods, the formar subsidiary of British Car Auction, are due to resume on April 1. The re-listing of Attwoods is in effect a reverse takeover by Maybank Enterprises, an investment holding company with interests in sand and gravel extraction, and waste disposal.

The takeover document, published today, forecasts that the combined group will report pre-tax profits of not less than £240,000 for the year ending July 31, 1982. Sales of the group should be about £10m.

Under the terms of the acquisition, Maybank shareholders received 33 new ordinary shares in Attwood for every 10 ordinary shares of £1 each in Maybank. As a result, the major shareholders in Maybank now own 32.1 per cent ofthe enlarged group.

BCA's stake in the new group will be 35 per cent, compared with its former 68.9 per cent stake in Attwood's Garages. Attwoods traded at a loss last year and has since closed and rationalised a number of loss-making activities.

The group now retains one Mercedes-Benz dealership. For the six months ended January 31 1982, the company showed a pre-tax profit of £23,000 on sales of £1.7m.

The main trading activities of Maybank Enterprises are carried out by the Drinkwater Group, a wholly-owned subsidiary. Pre-tax profits of Drinkwater increased from £214,000 on sales of £2.8m in 1978 to £458,000 for the 11 months ended September 1981 on sales of £4.48m. Excluding the Drinkwater contribution, Maybank reported a pre-tax loss of £840,00 on turnover of £2.9m.

The pre-tax profit of the Drinkwater Group for the 10 months ending July 31 1982 is forecast to be not less than £400,000 and the appropriate proportion from March 1982 has been included in the forecast for the enlarged Attwoods group.

On the basis of the profit forecast for the year ending this July, Attwoods predicts a final dividend of 2p per ordinary share.

Financial adviser to Attwoods is Robert Fleming and stockbrokers are Anderson & Co.

British Car Auction is also on the threshold of three car auction acquisitions in the U.S. for an aggregate consideration of about £5m. The terms will be completed on a deferred basis, dependent on future profitability, spread over three to five years.

The three businesses are all cash positive, Mr David Wickens, BCA chairman said yesterday, and the initial outlay is not expected to exceed £2m.

The companies, based in Kansas, Nashville and Florida are all family owned and are thought to have produced aggregate profits of $4.5m before tax last year.

● comment

A new Attwoods has reappeared with very little of the old company in it. In 1980, the year BCA took its controlling stake in the motor dealership group, Attwoods Garages produced £73,000 of pre-tax profits on sales of more than £5m. In the next 18 months it lost £417,000. The group is now down to one dealership which on its own is unlikely to make much more than the old group did in 1980. The main component of Attwoods is now Drinkwater, which engages in sand and gravel extraction, waste disposal and landfilling activities. This group has a reasonable trading history and boosts the group's asset-backing per share to 84.5p. Flemings offered a cash alternative of 78.7p a share at the time of its bid. Considering the somewhat limited interest in this sector, Attwoods' reappearance could have a rocky start.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
A and G Security ...int	0.75‡	—	—	—	—
ADP ...int	0.75	April 30	0.5	—	1
Automated Secs	0.88	—	0.7*	1.45*	1.2*
Banro	2.73	—	2.43	3.3	3
BBA Group	0.9	July 6	0.9	1.74	1.74
Bemrose Crpn	2.5	—	1.5	4	1.5
BSR	0.5	May 20	Nil	1	Nil
Cambridge Electronic	2.75	May 4	—	4	—
Fairview Estates ...int	1.33	May 7	1.27	—	4.55
Friedland Doggart	3.15	—	2.87	5.1	4.72
Garton Engrg	Nil	—	1	Nil	4.15
Leyland Paint	0.75	July 5	1	1.5	1
Lucas Inds ...int	2.6	May 17	2.6	—	11
Manders (Hldgs)	4	May 4	3.5	5.4	4.8
Bernard Matthews	2.37	May 14	2.37*	4.37*	4.37*
Metal Closures	3.5	May 17	3.2	5.7	5.4
Mixconcrete	2.5	—	2.5	4.05	4.05
Noble and Lund	Nil	—	0.61	Nil	0.79
Ocean Trnsprt Trdng	4.7	June 1	4.7	9	9
Saga Holidays ...int	1.2	April 30	1.07*	—	3.73*
Strong and Fisher ...int	1.67†	May 4	2.8	—	5
Tricentrol	5.6	—	5.6	8.4	8.4
United Newspapers	7.5	June 9	7.5	12	12

Dividends shown pence per share net except where otherwise stated.
*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡USM Stock.

THE TRING HALL USM INDEX
120.9 (+0.7)
close of business 25/3/82
BASE DATE 10/11/80 100
Tel: 01-638 1591

LADBROKE INDEX
Close 557-562 (−1)

Utd. Newspapers decline

A DECLINE in pre-tax profits from £4.54m to £3.64m was shown by United Newspapers for the year to December 1981. This result was in line with the interim forecast. Turnover rose by 13 per cent to £86.52m.

Taxable profits included an exceptional depreciation debit of £401,000 and, in addition, the company wrote off £163,000 — largely a bad debt from a failed advertising agency, the costs involved in participation in a bid for North Sea exploration rights, and obsolete design work.

During the year £874,000 was invested in the new Yorkshire cash resources were £4.83m and Tyne Tees television companies. At the end of the year against £5.94m.

A final net interim dividend of 7.5p will be paid making a same again total of 12p. Stated earnings per share slipped from 20.8p to 14.8p.

The rise in turnover reflects a 9.8 per cent increase in revenue from newspaper advertising to £43.24m and a 1 per cent fall in volumes. revenue increased by 2 per cent and accounted for £19.8m.

Throughout the group £1.6m was spent on new plant and equipment and on the improvement of working conditions. Since the end of the year the company has acquired the Colonial Securities Trust. The assets of Colonial have been realised and the company's cash resources now amount to £12m.

UK COMPANY NEWS

Bemrose now on 'road to recovery' with £2m rise

A NEAR £2m increase in pre-tax profits is reported by Bemrose Corporation, the Derby-based printing and packaging group, for the year to January 2 1982. The figures have climbed from £335,000 to £2.37m from turnover higher at £49.38m compared with £40.01m. At the halfway stage, profits had improved from £114,000 to £765,000.

The directors say that in the light of continuing tough trading conditions and severe price competition in printing and packaging, the pre-tax profit achieved during the year is "a positive step on the road to recovery."

The final dividend is hoisted by 1p to 2.5p for an improved total of 4p (1.5p). The directors see this as a positive step towards the restoration of the distribution of 4.468p per share paid for 1979.

During the year, considerable reorganisation was carried out throughout the group, which included the withdrawal from a number of smaller businesses. The non-recurring cost of this rationalisation are included in extraordinary items in the accounts and amount to £1.71m after deducting over provisions made in 1980.

Many parts of the company contributed to the improved profits for the year. Flexible Packaging and Transfer Prints, which streamlined their operations in 1980, started to recover from the depressed performance of that year, and group results gained from the elimination of loss-making book publishing activities (losses from divested book publishing approached £900,000 in 1980).

The low sales of calendars and diaries in the first half of 1981 were followed by an exceptional surge of business in the second half. Also, whereas performance of most operations was broadly similar in both periods, the group gained additional volume of security documents in the latter months, and revenue from National Union Catalog benefited from currency movements.

Capital expenditure is being restored on a selective basis, and the directors say priority is being given to new technology, higher efficiency and new products.

The board believes that, as a result of the action taken over the last two years, the company has a stronger base from which to achieve further improvements in profitability.

The year-end pre-tax figure was struck after interest charges down from £1.36m to £881,000. There was a tax charge of £200,000 (£77,000), and after extraordinary debits of £1.71m (£2.79m), attributable profits came out at £453,000 compared with losses of £2.54m. Dividends absorb £456,000 (£169,000).

Stated earnings per 25p share jumped from 2.22p to 19.23p. Pre-tax profits on a CCA basis were £1.38m (£1.54m loss), with earnings per share at 10.39p (14.48p loss).

● comment

Rationalisation has paid off handsomely at Bemrose Corporation; rather to the market's surprise, for the shares rose 13p to 73p. Although the 1981 results are shadowed by a further £1.7m of write-offs below the line, pre-tax profits are seven times what they were a year ago. Sustained efforts to bring down working capital, and the decision to hold back spending on fixed capital, have had the desired effect on gearing which is down from 50 per cent to 34 per cent. At the same time, costs have been effectively trimmed; year on year, pre-interest profits virtually doubled. The pattern of trading has remained rather patchy; transfer printing for textiles has made a particularly slow start to 1982, and the important calendars and diaries seem to have moved into a phase where orders must be expected in the second half. But security printing is a stable base to the earnings pyramid—Bemrose is the second largest cheque printer in the UK—and is an activity where capital expenditure will be resumed this year. After the amalgamation of two old-established carton businesses in Leeds and Manchester, packaging profits should advance again this year. But the governing assumption is again one of static demand, so earnings may well have reached a recessionary plateau, as a fully-taxed p/e of 7 rather suggests. It is an indication of progress so far that the partly restored dividend brings the yield to 6 per cent.

SECURITY CENTRES

The recent rights issue of 1.79m shares by Security Centres Holdings has been accepted as to 95.24 per cent.

Good second half lifts BBA Group to £3.56m

SHARPLY HIGHER profits are reported by BBA Group for 1981, the pre-tax figure emerging 318.7 per cent ahead at £3.56m, compared with £850,000 previously. The second half of the year was much better than the first six months, producing profits of £2.9m.

During this period the UK companies contributed profits of £679,000, a turnround from the loss of £1.43m incurred in the first half. Scandura converted an interim deficit into a profit by year-end, and other UK companies traded profitably, except Mintex and Sovex Marshall, both of which made losses.

For the year overall, however, the UK side remained in the red, incurring a loss of £754,000, against £948,000 for 1980. The overseas companies, on the other hand, more than doubled their profits to £4.31m.

The directors point out that the advance in group taxable profits reflects the benefits of measures taken in the second half of 1980 to effect economies.

With stated earnings per share emerging at 1.54p for the year (0.89p loss) the directors are maintaining the net total dividend at 1.74p per 25p share with a same-again final of 0.9p — last year's final was paid on the assumption that there would be an improvement in trading results for the year under review.

Turnover of the group, manufacturer of friction materials, conveyor belting and asbestos textiles, declined from £135.42m to £130.61m over the year with the UK contribution falling from £66.15m to £55.14m, and overseas companies improving by £6.19m to £75.46m. Exports totalled £12.59m (£16.45m) — being affected by the strong pound.

The directors explain that although sales fell by 3.6 per cent compared with 1980, that year included those of Regina-Fibreglass which has since been sold and whose results are excluded from the 1981 figures. Sales of the remaining companies were almost unchanged at £130.61m, they add.

The balance from trading improved by 16.3 per cent, from £9.65m to £11.22m, and represented a margin of 8.6 per cent on sales.

The pre-tax profit figure was struck after depreciation of £4.49m (£5.65m) and financial charges of £4.17m (£3.73m). It included a share of profits of associates higher at £1.01m (£575,000).

Tax took £2.65m (£1.83m) of which UK tax accounted for £511,000 (£595,000) and overseas the balance. The available surplus from trading operations came through at £897,000, against a deficit of £507,000. However, after a £1.24m loss on the sale of a subsidiary (nil) and an extraordinary debit last time of £1.5m for redundancy payments, there was a loss of £342,000 (£2m). Dividend payments absorb £1m (same) leaving the retained loss at £1.36m (£3.01m).

The consolidated balance sheet shows reserves virtually unchanged at £30.37m (£30.08m) and shareholders' funds at £45.08m (£44.78m). Borrowings were almost the same at £19.32m and capital expenditure at £5.63m "was lower than usual."

CCA pre-tax profits were £707,000 (£2.66m loss).

● comment

BBA profits surged ahead in the second half of 1981, with even the troubled UK division showing a profit. The costly decision to pay a dividend underscores the company's belief that the improvement can be sustained in 1982. This confidence however, is pinned on overseas markets, not the UK. Germany is benefiting from a move into the replacement parts market, both for export and domestic commercial vehicles. Australia is growing thanks to good market penetration, while South Africa operations are fairly bursting at the seams. Cash generation from South Africa is so important to group finances that BBA is delaying a much-needed plant expansion there. A true recovery for BBA surely depends on further diversification from the automotive business. But, the latest attempt, a glass fibre business with Pilkington, has resulted in a bloody nose for BBA in the form of a £1.2m extraordinary debit. The shares, at 33p, stand at a 50 per cent discount to net asset value and give a yield of 7½ per cent.

Automated Sec. profit uplift

THE MOTIVATING influences in the company's market are all favourable, say the directors of Automated Security (Holdings), which has shown a sharp rise in pre-tax profits from £1.89m to £2.35m for the year to November 30 1981.

The directors point out that burglaries were up 16 per cent last year and insurance losses rose 40 per cent. They look to the future with confidence from a stronger trading and financial position than before.

Second half pre-tax profits expanded from £1m to £1.32m.

These results have been achieved despite the continuing recession, high interest rates and start-up losses on the article surveillance and domestic sales division, say the directors. They believe that the company is through the costly conversion stage and this year should see the beginning of profit growth from new profit centres.

Rental income increased during the year by 38 per cent to £7.2m while gross rental assets under the company's control rose by 46 per cent to £24.7m.

The final dividend has been effectively lifted from 0.7p to 0.875p, which gives an equivalent total of 1.45p (1.2p). Earnings per ordinary 10p share are given as rising from 9.72p to 11.95p.

Turnover for the 12 months rose by £3.98m to £17.59m.

● comment

The rise and rise of Automated Securities continues, with a 25 per cent advance in pre-tax profits in 1981—a compound growth rate of 36 per cent over the past five years. Last year's acquisitions did not contribute to profits, but reorganisation is complete and this year should see the benefits. Subscriptions are increasing in line with inflation, with additional rental income a reflection of the policy of growth by acquisitions. Rental assets are now 10 times the level of six years ago. Over £6m was invested in fixed assets last year, and a similar amount is likely in 1982, but the company insists that it is not buying everything that rings. In November Automated opened up on the domestic front, with looking at least as exciting as apparently very successful results, while on the retail side security tags is the biggest growth area. With about 250 engineers covering the whole country, reduced petrol costs will be an added bonus. At 192p down 3p, the shares yield under 1.1 per cent with a p/e of over 30 (though the tax charge is again minimal). The high rating seems justified, with the future looking as least as exciting as the past.

STURLA RIGHTS

The £1.7m rights issue by Sturla Holdings, the leasing and asset finance company, has been taken up as to 53.02 per cent. The balance of 3.05m shares has been sold in the market and net proceeds will be distributed to entitled shareholders.

Metal Closures makes 'reasonable' £6.12m

WITHIN the context of a very depressed packaging industry during the past few years, and against the general trend, the directors of Metal Closures Group believe that pre-tax profits of £6.12m achieved for 1981 are reasonable. In 1981 pre-tax profits stood at £5.51m.

However, they add that any increase will continue to be difficult to achieve in the present climate. The group is mainly involved in making metal and plastic packaging.

The total dividend has been lifted to 5.7p with an increased final of 3.5p. Last year a total of 5.4p was paid.

Earnings per ordinary 25p share were given as rising from 16.9p to 18.3p.

There are still no signs of any immediate upturn in the economy say the directors — the anticipated improvement is still in the distant future. They add that the consequences of the company's rationalisation should prove beneficial, both for the parent group and the acquisition, Techno Industries.

Second half taxable profits moved ahead from £4.54m to £5.11m.

Turnover for the twelve months moved ahead from £65.61m to £67.36m. Pre-tax profits were struck after redundancy payments of £199,000 (£161,000). Tax took £1.8m (£1.63m).

After increased minorities of £582,000 (£446,000) attributable profits emerged higher at £3.74m, against £3.42m. There was an extraordinary debit last time of £481,000. Retained earnings amounted to £2.54m (£1.84m). CCA pre-tax profits were shown at £4.26m (£3.34m).

Mr M. J. Mann has been appointed to the board.

● comment

The hard work that Metal Closures has undertaken to cut costs and reduce spending is now coming through. After three years of virtually stagnant profits, the company has managed a 30 per cent gain in the second half compared to the first and looks capable of keeping up the pace in the current year. South Africa has provided nearly half the group's profits and continues to grow. In the UK, the Techno acquisition has produced trading profits of £183,000 in three months and is expected to contribute about £1m in 1982 indicating around £7.5m pre-tax overall this year. The shares, unchanged at 127p, then have a fully-taxed prospective p/e of about 8 which is not overly demanding for the sector. The increased dividend gives a yield of 8.5 per cent.

H. Woodward upturn

PRE-TAX PROFITS of H. Woodward and Son, commercial vehicle distributor and car dealer, reached £181,000 for the year to September 30 1981, compared with £278,000, on turnover down from £11.98m to £10.38m.

After a collapse in first half profits from £196,342 to £18,922 pre-tax, the company showed some recovery in the second half.

The final dividend is being held at 1.7p per 12½p share which maintains the total net payout of 2.2p.

In his interim report, the chairman said that the company had experienced a continuing fall in the commercial vehicle market in every sector. Competition coupled with reduced margins and increasing costs contributed to a fall in profitability.

He added that the board had taken steps to cut costs wherever possible while endeavouring to retain the workforce and that it did not anticipate any significant improvement during the second half.

Commenting on the full-year figures, the chairman says: "The second half of the year showed some signs of recovery. The company is striving to curtail unnecessary expenditure while endeavouring to maintain and improve share of a very much reduced market."

After a tax credit of £8,000 (£51,000) and an extraordinary debit of £30,000 (£28,000 credit), stated earnings per share are down to 7.83p from 13.65p.

On a current cost accounting basis, pretax profits are stated at £85,000.

Improvement continues for Tace

At the annual meeting, Mr J. H. M. Mackenzie, chairman of Tace, said that a more satisfactory level of profitability had continued into the second quarter of the current year.

He explained that, overseas activities apart, this was a result of cost savings and improvements in efficiencies rather than any real increase in the level of UK industrial activity.

BANK RETURN

	Wednesday March 24 1982		Increase (+) or Decrease (—) for week
BANKING DEPARTMENT			
	£		£
Liabilities			
Capital	14,553,000		
Public Deposits	25,481,407	—	3,479,938
Bankers Deposits	613,214,273	+	54,974,734
Reserve and other Accounts	1,587,495,435	—	136,050,223
	2,264,445,005	—	86,963,338
Assets			
Government Securities	684,125,996	—	132,869,175
Advances & other Accounts	1,106,759,265	+	29,116,893
Premises Equipment & other Secs.	415,709,157	+	16,500,796
Notes	15,578,234	+	1,330,546
Coin	332,455	—	16,100
	2,264,445,005	—	86,963,338
ISSUE DEPARTMENT			
	£		£
Liabilities			
Notes issued	10,625,000,000		
In Circulation	10,609,421,766	—	1,330,546
In Banking Department	15,578,234	+	1,330,546
Assets			
Government Debt	11,015,100		
Other Government Securities	2,163,757,557	+	27,955,443
Other Securities	8,449,357,293	—	27,955,443
	10,625,000,000		

UK COMPANY NEWS

BIDS AND DEALS

Thos. Tilling acquires two more U.S. companies

Thomas Tilling, the industrial conglomerate, has consolidated a recent move into the electronics sector by acquiring Alpha Metals, a U.S.-based specialist solders manufacturer.

The deal was announced yesterday alongside a second U.S. acquisition, adding a Florida-based valve distribution business, H & S Supply Co., to one of Tilling's successful Texan subsidiaries. The two acquisitions together cost just under £28m but separate purchase prices for the companies, which are both private, remained undisclosed.

The aggregate price has been funded by a private placing by Tilling of 20.4m ordinary shares with a broad range of institutional investors. The placing, arranged by J. Henry Schroder Wagg and brokers Rowe and Pitman, was made at 138p per share. Tilling's shares closed last night at 147p, down 5p.

The conglomerate has now spent £42m so far this year on acquisitions as part of a total capital investment plan of £100m for 1982. Tilling said yesterday that it was not planning to resort to a rights issue or any further share placings before the end of the year.

Tilling's U.S. businesses have grown considerably in their relative importance to the whole group, contributing over 70 per cent of pre-tax profits last year.

Alpha Metals had pre-tax profits of $7.4m in 1981 on sales of $68.3m. Mr Francis Black, Tilling's finance director, described its acquisition as "quite a step forward for Tilling into a new trade sector."

The purchase is intended to complement Tilling's acquisition last month of ADS Anker, a West German manufacturer of electronic cash control systems, for £7.6m. Tilling also has a presence in the U.S. electronics market through the Facile Technologies division of its Ohio subsidiary, Clecon Inc.

Tilling made a move towards electronics in 1980 with an abortive bid for Xynetics, a Californian semi-conductor business. "The strategy has been under review for some time but obviously we have had to wait for suitable opportunities to arise," said Mr Black.

H and S Supply, which earned $3.6m pre-tax last year on sales of $27.6m, is a major supplier to Florida's phosphate mining and processing industry. Its acquisition is seen as a logical extension of Tilling's recent growth as a supplier of equipment to the U.S. oil and gas sector.

The existing management of both companies will be retained by Tilling, which will restrict itself to appointing a new chairman in each case.

The mechanics of the acquisitions will be effected by dollar borrowing to match the adjusted net asset value in the two companies of $34.7m (£19.3m). This will leave just over £8m to be represented by goodwill on Tilling's balance sheet, which Mr Black pointed out would be strengthened accordingly by the £28m of new equity.

Mayfair is now property of Maxwell

Mr Robert Maxwell, chairman of British Printing and Communications Corporation, and Miss Yvonne Fisk, managing director of the Fisk Publishing Company, owners of Mayfair magazine, have concluded an agreement in principle for Mr Maxwell's group to acquire Fisk Publishing.

No sum has been disclosed, but estimates have suggested that the sale might be completed for a consideration of up to £1m. Completion of the deal is expected to take place on April 8.

Mr Maxwell said he would not be changing the style of Mayfair. "It has a successful formula, and I do not believe in changing success. It is the Playboy of the British magazine world. It is not a 'girlie' magazine—the best evidence of this is that it is the only one of its type which W. H. Smith distribute as well as Playboy."

AMSTRAD CHIEF REDUCES STAKE

On March 24, Mr A. M. Sugar, chairman of Amstrad Consumer Electronics, sold 899,375 ordinary shares (3.6 per cent) at 229½p per share.

These shares were placed with a number of investment institutions.

Mr Sugar now holds 6.09m ordinary shares, 66.4 per cent of the issued share capital, and has no present intention of reducing his holding further.

Moben Group—London Trust Company has sold 200,000 shares and now holds 3.8m (8.6 per cent).

DM Lancaster approached

DM Lancaster, the Club 18-30 holiday group, announced yesterday that it had received an approach which may lead to an offer for the entire share capital. The announcement was made in response to the recent movement in the share price, which added a further 6p to 31p.

Mr John Goldring, the chairman of Lancaster, said that the prospective bidder was involved in the leisure field hut its identity would not be revealed for another four or five days. The key to the success of any approach lies with Mr Weroer Rey, who sold Clnh 18-30 to Lancaster in the first place and retains voting control.

Mr Rey, a Swiss national, was said to be in the U.S. yesterday. His other major interest in the UK holiday sector is a majority stake in Nationwide Leisure which is no longer quoted. A tie-up between Lancaster, which raised over £450,000 through a rights issue last autumn, and Mr Rey's other leisure company, has been expected for some time.

Imps confident of good year

Imperial Group chairman Mr Geoffrey Kent told yesterday's annual meeting that he was confident the first half of the current year would show "much improved profits before tax."

He added that he also expected profits for the second six months to approach the good result achieved last year—for the 12 months to October 31 1981 the group returned pre-tax profits of £106.2m, the second half's take coming through at £76.32m.

The chairman said that the reported trend which had produced significantly higher trading profits in the first quarter had continued, the improvement owing much to the tobacco and food divisions.

He commented that the group had undergone considerable changes in the last year or so, in structure and organisation, in the reduction of costs and the scale and diversity of its operations and the planning of its longer term objectives.

This redirection was necessary, he said, and had been tackled resolutely and with vigour. Mr Kent pointed out that although the process was far from finished the evidence was that the group was already stronger and healthier and that this was beginning to show through to results.

He continued that the targets being set for trading companies were demanding but their attainment would improve substantially the performance of the group.

The chairman said that in that context he was examining schemes whereby outstanding achievement would be rewarded for those concerned.

He concluded that future success depended on clear strategic guidance from the centre as to companies' business and financial objectives and the firm and skilful management of their opportunities by operating divisions.

Strong & Fisher returns to profit at six months

A TURNROUND from a pre-tax loss of £128,600 to a profit of £530,400 is reported by Strong and Fisher (Holdings) for the six months to January 2 last and subject to no unforeseen circumstances, the directors expect the improvement to continue in the second half.

Sir Ian Morrow, chairman, reveals that current levels of orders on hand are the highest since the start of the collapse in the market in the autumn of 1979.

However, in taking a cautious view of the results the directors are paying a net interim dividend of 1.67p on the enlarged capital, which compares with 2.8p on the old capital. Stated earnings per 25p share were 9p (3.4p loss). Last year a final of 2.2p was paid although the group ended the 12 months £708,600 in the red pre-tax.

Half-year turnover of the group, which manufactures clothing and fashion leather, rose from £13.38m to £19.48m and trading profits improved to £1.45m, compared with £0.99m.

The pre-tax surplus was struck after interest of £961,600 (£1m) and other costs and included a share of profits of associates higher at £254,700 (£61,400). ACT written off amounted to £79,100 (£65,800) but after a tax credit of £43,700 (£5,800) profits at the attributable level emerged at £495,000 (£188,600 loss) out of which dividend payments absorb £184,600 (£155,000).

Volume of leather sales improved by 21 per cent during the half year and price increases of some 13 per cent yielded improved margins but not to a level "considered satisfactory."

The results of the associates included £171,900 from the 24 per cent interest in G. L. Bowron and Company. Recently it was announced that the group had sold 12 per cent of this holding for £461,000. The remaining holding will be treated as an investment from now on.

ACC—three new board appointments

BY JOHN MOORE, CITY CORRESPONDENT

THREE DIRECTORS have been appointed to the board of Associated Comunications Corporation following the resignations of Lord Matthews, Sir Leo Pliatzky and Sir Max Aitken.

Lord Matthews and Sir Leo resigned after a board split over Mr Robert Holmes à Court remaining chairman of ACC while be was chairman of the company making a £60m takeover for ACC.

ACC said last night that after being advised by Standard Chartered Merchant Bank it had appointed Sir Michael Clapham, Mr Michael Edwards, Q.C., and Mr George Preston as non-executive directors of the group.

Sir Michael Clapham is a former deputy chairman of ICI and a former chairman of the Birmingham Post and Mail.

BPM Holdings, the holding company of the Birmingham Post and Mail, holds 5 per cent of the crucial voting equity in ACC. Sir Michael has represented the group at the regular meetings of shareholders to consider a record payment of £560,000 to ACC's former managing director, Mr Jack Gill. BPM has been opposed to the payment.

The group also joined forces in the courts with Heron Corporation, a rival bidder for ACC, to stop ACC directors supporting a takeover bid from Australian Mr Robert Holmes à Court. The bid by the Australian was then worth 66p for each non-voting "A" share of ACC.

Mr Holmes à Court is now offering up to 110p for each non-voting "A" share.

Sir Michael Clapham said last night: "I have agreed with BPM that I will not be representing them at further meetings." He and other ACC directors will be attending a board meeting tomorrow.

Mr George Preston, who was at the Bank of England for 30 years, is a director of the London board of The Bank of New South Wales.

The Bank of New South Wales is one of the bankers to business interests of Mr Robert Holmes à Court. "I have discussed the possibility of conflicts of interest with Mr Preston," said Mr Robin Baillie, managing director of Standard Chartered Merchant Bank last night. "He is convinced that there is none and we are convinced there is none. I understand that the London office of the Bank of New South Wales is not responsible for any credit decisions made in Australia."

Mr Michael Edwards, the other director appointed, is provost of the City of London Polytechnic and was managing director of BSC (International), a subsidiary of British Steel Corporation.

The Independent Broadcasting Authority is believed to have considered the ACC bid scene at a meeting yesterday. The authority said "the situation is as it was—whoever takes over ACC will not control Central Independent Television," in which ACC holds a 51 per cent stake.

The Takeover Panel is expected to announce the results of its findings today into a purchase of 925,000 shares in ACC by TVW Enterprises, the group through which Mr Holmes à Court is making his bid.

CU sees no improvement on underwriting

A warning that an improvement in underwriting results this year of Commercial Union Assurance was unlikely is given by Sir Francis Sandilands in his chairman's review accompanying the 1981 report and accounts. A continuation of the poor trading conditions would prevent this. The CU made an underwriting loss of £132m in 1981, more than double that of 1980.

Sir Francis was more optimistic about 1983. He believed that by this time next year the outlook should be better. There were grounds for hope that market conditions in the U.S. and Canada, where losses amounted to £85.6m and £23m respectively in 1981, would change for the better as overdue rate increases began to improve the trading results.

However, he warned that the outlook in the UK and Netherlands, where underwriting results in 1981 were satisfactory, indicated some deterioration.

The report shows that shareholders' funds on non-life business rose from £769m to £824m last year, while total life funds rose from £2.23bn to £2.62bn.

A & G doubles and is set fair for year

A and G Security Electronics, the burglar alarm concern which came to the Unlisted Securities Market late last year, doubled its profits for the six months to January 31 1982 and is forecasting another successful full year.

At midterm, the taxable surplus jumped from £122,000 to £239,000, on turnover of £642,000 against £384,000. And, with tax taking £120,0000 (£61,000), earnings per 5p share showed a 1.15p improvement at 2.45p. The net interim dividend is 0.75p.

At the time of the issue, the directors forecast a total for the year of not less than 1.75p and looked for full year profits of £420,000.

They now say, however, that interim figures, both in terms of profit and turnover, are in excess of budget. New products have been successfully received by the security trade, and a number of possible acquisitions are being investigated.

Second half sales to date are running at record levels because of the rising crime rate, they add.

BRENGREEN RESTRUCTURE

As a result of the expansion of Brengreen (Holdings) and its subsidiaries, it has been necessary to re-structure the group. The cleansing, leasing, decorating, travel and international aspects of the group's activities will remain unchanged, but with effect from April 1, 1982, Mr F. R. Agar will become the chairman and managing director of Exclusive Cleaning Group, a subsidiary.

AIM GROUP ALLOCATIONS

The offer for sale of 4m shares of AIM Group has attracted 2,972 applications for 17.9m shares. Applications for up to and including 1,000 shares will be allotted 50 per cent of the amount applied for. Applications for 1,500 and 2,000 shares will be allotted 500 shares and applications for 2,500 shares or more will receive 20 per cent of tha amount applied for to a maximum of 195,000 shares. Dealings begin on the Stock Exchange on April 1.

ATLAS ELECTRIC

Atlas Electric and General Trust repaid a loan of $6m to Manufacturers Hanover Trust Company on March 24.

BAJAU

Bajau has notified Braid Group that a wholly-owned subsidiary of Bajau has increased its holding in Braid Group from 660,000 to 720,000 shares (12 per cent).

While Bajau intends to purchase further Braid Group shares at the right price, Bajau has no intention of making an offer for the whole capital.

MAXIMS CASINO

The Gaming Board of Great Britain has formally abandoned its appeal against the granting of a gaming licence to Maxims Casino Club. It had based its objections last December on the fact that the club was owned by Mr Abdul Wahab Galadari, a wealthy Dubai businessman, through a holding company, Lydlashournes. Its shares were acquired earlier this year by Pleasurama.

LONDON TRADED OPTIONS

Mar. 25 Total Contracts 1,116 Calls 758 Puts 358

Option	Ex'rcise price	April Closing offer	April Vol.	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Equity close
BP (c)	240	54	10	—	—	—	—	290p
BP (c)	260	34	—	38	2	45	1	"
BP (c)	280	14	3	24	—	30	5	"
BP (c)	300	6	—	14	4	20	—	"
BP (p)	280	15	1	20	4	22	—	"
BP (p)	300	32	—	34	38	35	1	"
BP (p)	330	62	25	62	—	64	—	"
CU (c)	120	28	20	29	—	31	3	147p
CU (c)	130	15	6	20	—	24	—	"
CU (c)	140	8	101	14	6	18	—	"
CU (c)	160	2	7	6	—	9	—	"
CU (c)	180	1	2	—	—	—	—	"
Cons. Gld (c)	390	10	3	30	—	40	1	389p
Cons. Gld (c)	460	2	—	1	1	13	—	"
Cons. Gld (c)	360	7	2	16	—	20	3	"
Cons. Gld (c)	390	18	3	26	1	32	—	"
Cons. Gld (p)	420	57	1	47	—	54	—	"
Ctlds. (c)	70	15	—	18	10	21½	—	63p
Ctlds. (c)	90	2	—	6	25	6	—	"
GEC (c)	800	32	—	57	10	85	—	819p
GEC (p)	800	11	14	22	10	61	6	"
Gr'd Met. (c)	180	32	3	40	—	44	—	210p
Gr'd Met. (c)	200	14	5	22	17	26	—	"
Gr'd Met. (c)	220	3	4	10	5	14	—	"
Gr'd Met. (p)	200	3½	10	10	—	14	6	"
ICI (c)	300	22	22	66	6	46	—	318p
ICI (c)	330	6	4	20	—	30	30	"
ICI (c)	360	2	—	9	3	17	—	"
ICI (p)	330	14½	62	20	12	24	10	"
Land Sec. (c)	280	19	6	30	—	39	—	292p
Land Sec. (c)	300	8	—	18	2	27	—	"
Mks & Sp. (c)	120	36	4	52	—	—	—	153p
Mks & Sp. (c)	130	26	2	29	—	33	—	"
Mks & Sp. (c)	140	16½	1	12½	6	23½	1	"
Mks & Sp. (c)	160	3½	—	6½	2	11	—	"
Shell (c)	360	14	1	25	—	36	—	370p
Shell (c)	390	6	—	12	1	22	—	"
Shell (p)	360	15	—	12	6	24	—	"
Shell (p)	390	38	—	38	5	40	—	"
Shell (p)	420	66	—	66	—	—	—	"
		May		August		November		
Barclays (c)	420	66	—	53	6	63	—	450p
Barclays (c)	460	10	—	22	2	67	—	"
Barclays (p)	460	20	26	25	—	26	—	"
Barclays (p)	500	53	1	67	—	60	15	"
Imperial (c)	80	14	40	17½	2	21	—	93p
Imperial (c)	90	8½	—	10½	89	16½	—	"
Imperial (p)	90	6½	6	4½	54	6	—	"
Lasmo (c)	260	45	—	55	4	65	—	294p
Lasmo (c)	280	27	2	40	—	62	1	"
Lasmo (c)	360	3	—	9	1	—	—	"
Lonrho (c)	70	6	—	9	6	11	—	73p
Lonrho (c)	80	2	6	4½	52	6½	1	"
Lonrho (c)	90	⅝	66	2½	—	—	—	"
Lonrho (p)	60	2	10	10	—	12	—	"
P & O (c)	110	29	6	—	—	—	—	136p
P & O (c)	120	12	5	27	—	33	—	"
P & O (c)	130	13	27	12	—	26	—	"
P & O (c)	140	6	—	11	40	—	—	"
Racal (c)	360	27	30	42	—	53	—	378p
Racal (c)	390	10	—	23	—	33	—	"
Racal (c)	420	6	2	10	—	—	—	"
Racal (p)	650	7	—	12	6	17	—	"
Racal (p)	390	20	12	25	1	30	—	"
RTZ (c)	420	26	2	37	1	47	—	417p
RTZ (p)	390	6	—	17	3	20	—	"
RTZ (p)	420	20	6	30	—	42	—	"
Vaal Rfs. (c)	45	2¾	2	4½	—	6½	—	$43
Vaal Rfs. (p)	45	4	—	6	12	6½	—	"

C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C	$300	3	38.50	2	49	—	—	$388.50
GOLD C	$325	16	18	—	—	—	—	"
GOLD C	$350	4	10	1	20	70	52.50	"
GOLD C	$375	—	—	—	—	90	21	"
GOLD C	$400	—	—	68	7.50	1	13.50	"
GOLD C	$425	—	—	7	6	—	—	"
GOLD P	$300	30	7	—	—	—	—	"
GOLD P	$325	31	16	16	17	—	—	"
GOLD P	$350	10	27	—	—	—	—	"
12¼ NL 81 87-91								
C	F.107.50	—	—	42	3.80	3	3.70 A	F.112.70
C	F.110	2	6 A	50	3.80	—	—	"
C	F.112.50	100	1.30	105	2.20	103	2.80	"
C	F.115	—	—	300	0.70	60	1.20	"
P	F.110	—	—	10	[illegible]	—	—	"
P	F.112.50	—	—	20	1.50	—	—	"
10¼ NL 80 86-95								
C	F.102.50	500	1.20	10	1.80 A	—	—	F.102.40
P	F.102.50	—	—	103	1.40	—	—	"
11¼ NL 82 86-92								
C	F.102.50	16	1.70	10	2.30	—	—	F.105.50
P	F.102.50	—	—	—	—	40	1.10	"
		April		July		Oct.		
AKZO C	F.20	[illegible]	2.20	—	—	—	—	F.28.29
AKZO C	F.25	25	3.70	45	4.50	—	—	"
AKZO C	F.27.50	14	1.90	—	—	—	—	"
AKZO C	F.30	61	[illegible]	60	1.30	20	1.80	"
AKZO P	F.27.50	138	0.70	60	1.30	16	1.60	"
AMRO C	F.50	10	0.70	103	2.60	—	—	F.50.80
NEIN C	[illegible]	10	0.70	—	—	—	—	[illegible]
HOOG P	F.17.50	10	0.30	—	—	—	—	F.16.10
KLM C	F.80	6	27.50	—	—	—	—	F.107.50
KLM C	F.90	15	18	—	—	—	—	"
KLM C	F.100	47	3.50	6	14.90	12	15.50	"
KLM C	F.110	[illegible]	[illegible]	37	9.50	—	—	"
KLM C	F.120	[illegible]	[illegible]	—	—	—	—	"
KLM P	F.100	70	[illegible]	16	4.50	—	—	"
KLM P	F.110	52	5.60 B	—	—	—	—	"
NEDL C	[illegible]	[illegible]	[illegible]	15	7	—	—	F.112
NEDL C	[illegible]	—	1	—	—	—	—	"
NEDL P	F.110	38	0.70	—	—	—	—	"
NEDL P	[illegible]	30	3.90	—	—	—	—	"
NATN C	F.105	15	[illegible]	—	—	—	—	F.109.80
NATN C	F.110	32	1.80	35	6.50	—	—	"
NATN C	F.115	—	—	60	1.40 A	—	—	"
NATN P	F.110	10	—	10	2.80	—	—	"
PHIL C	F.17.50	—	—	40	8.30	—	—	F.26.30
PHIL C	F.20	27	3.30	—	—	8	4.30	"
PHIL C	F.22.50	255	1.20	232	1.70	84	6.60	"
PHIL C	F.25	80	0.20	24	0.80	436	1.40	"
PHIL P	F.25	—	—	4	2.10	—	—	"
RD C	F.80	112	6	12	6.20	12	7.60	F.84
RD C	F.90	81	0.60	102	3	34	3.60	"
RD C	F.100	—	—	100	0.60	—	—	"
RD P	F.80	40	0.80	59	6.60	—	—	"
UNIL C	F.150	16	5.80	14	6.60	—	—	F.154.50
UNIL C	F.160	16	0.70	—	—	—	—	"
UNIL P	F.140	—	—	4	2.50	—	—	"
UNIL P	F.150	4	1.10	50	6	—	—	"
		May		Aug.		Nov.		
SLUM C	$50	—	—	6	3¼	—	—	$44⅛

TOTAL VOLUME IN CONTRACTS: 4803

A=Asked B=Bid C=Call P=Put

MINING NEWS

Phelps Dodge forecasts continued poor results

BY GEORGE MILLING-STANLEY

THE COPPER PRICE is currently so depressed that few, if any, U.S. producers of the metal can operate profitably, according to Mr George Munroe, chairman of Phelps Dodge.

He writes in the latest annual report that the company, the second biggest copper producer in the U.S. behind Kennecott, feels no incentive to maximise production. Output last year totalled 315,700 tons against an installed capacity of around 350,000 tons, and targeted production for the first quarter of this year shows a further reduction of 20 per cent, or some 15,000 tons.

This means that the company's financial performance is likely to remain poor so long as the economy stays weak, Mr Munroe said.

Net profits last year were down by about a quarter to $89.3m (£53m), a level which Mr Munroe says is obviously unsatisfactory.

The results reflect the very severe recession in the U.S. economy is currently experiencing, and in particular the exceptionally depressed state of most of the business sectors which are traditionally big users of copper, such as housing and the motor industry.

These conditions caused the average copper price to fall to its lowest level in real terms for the past quarter of a century. Phelps is very sensitive to the copper price, with each 1 cent movement affecting profits to the tune of between $3m and $4m.

Taking all this into account, Mr Munroe says the company came through 1981 reasonably well, and was even able to reduce total debt by $45.5m to $632.7m by the year-end.

The main favourable influences on 1981 earnings were: good performances by the uranium operations, international manufacturing and some sections of Phelps Dodge Industries; the benefits of forward sales of by-product gold and silver; an extraordinary gain of $43m on the sale of the 40 per cent interest in Consolidated Aluminium; stringent control of capital spending; and various money-saving tax moves.

For the future, Phelps established a small mines division with the object of broadening the spread of metals produced, using smaller properties than the company would normally develop. Mr Munroe says the project has got off to a promising start.

Mr David Thomas, chief executive of the Canadian base metals producer Sherritt Gordon Mines, clearly shares Mr Munroe's concern. In his latest annual statement, he writes that it is difficult to be optimistic about the current year.

He goes on to point out that the future viability of the company's mining operations depends on a strong increase in the world copper price, and the ability to work through the trough in the price for as long as it lasts without incurring substantial additional losses.

Sherritt Gordon made operating profits last year of C$2.79m (£1.3m), a fall of 90 per cent, and write-offs turned this into a net loss of C$8.33m.

Zambian Copperbelt merger completed

A NEW era was ushered in on the Zambian Copperbelt yesterday with the final step in the merger of the two major mining groups, reports Michael Holman from Lusaka. Nchanga Consolidated Copper Mines (NCCM) and Roan Consolidated Mines (RCM) have now become one under the title of Zambia Consolidated Copper Mines (ZCCM).

The move creates the world's second largest copper mining group, ranking after Chile's state-controlled Codelco which aims to produce 900,000 tonnes of copper this year.

Last year's combined copper production of the Zambian groups fell to 564,000 tonnes from 610,000 tonnes. The companies blamed this on deteriorating ore grades and shortages of both skilled labour and spare parts.

At yesterday's inaugural meeting ZCCM announced the appointment of seven "A" directors, nominated by the state-owned Zambia Industrial and Mining Corporation (ZIMCO), which holds about 60 per cent of the issued share capital of NCCM. Five "B" directors have been appointed by the minority shareholders ZCI Holdings, and Amax.

Mr Francis Kaunda, an "A" director and formerly head of NCCM, is the new chief executive.

Dealings in the new ZIO "B" ordinary shares of ZCCM will begin today. Following the merger deal, ZIMCO holds 60.3 per cent of NCCM, Amax has 6.9 per cent and Zambia Copper Investment holds 27.3 per cent.

The new company begins operations under difficult conditions, notably the weak copper price. NCCM and RCM combined losses for the year ending March 31 1982 could reach K120m (£72.6m) according to one unofficial estimate.

By the end of last year over 2,500 tonnes of cobalt—equivalent to eight months' production—were stockpiled on the mines because of low world prices.

A further current difficulty is the inadequate locomotive power on the Tanzania-Zambia Railway (Tazara) to the Tanzanian port of Dar es Salaam. As a result some 100,000 tonnes of copper are held up between the mines and the port.

Bindura cuts dividend after setback

ZIMBABWE'S BIGGEST nickel producer Bindura Nickel has cut its 1981 dividend after a sharp fall in profits, and the Anglo American Corporation-controlled company warned that it is likely to incur a substantial loss this year.

Bindura made net profits of Z$3.6m (£2.7m) in 1981, but the second half result showed a decline of almost 50 per cent from that of the first six months.

The company said that nickel prices fell in the latter half of the year, and a fall in demand caused some customers to ask for deliveries to be delayed, reports Tony Hawkins from Salisbury.

At the same time, operating costs rose dramatically. Part of the increase was due to plant breakdowns, and escalating wage costs and much higher interest charges also played a part. The bank rate was raised in September, and the company's interest charges rose by more than half to Z$3.3m.

Full-year earnings per share fell by 60 per cent to 14.5 cents, and the total dividend is cut to 9 cents from 23 cents.

Cominco Arctic mine now in production

COMMERCIAL production rates have been reached at Cominco's C$140m (£53.3m) Polaris zinc-lead mine on Little Cornwallis Island, high in the Canadian Arctic. First shipments of concentrates are due to be made in August.

The new underground mine has been in production for more than a month at a rate equal to at least 60 per cent of the average planned rate for the first 12 months of operation.

The output for the first full year is expected to be 182,000 tonnes of combined zinc and lead concentrates, rising to an annual average of 210,000 tonnes. Sales contracts have been obtained for the first three years' production.

Meanwhile, Bankeno Mines has decided to exercise its option on a 25 per cent royalty interest in the net production proceeds of Polaris.

This will cost Bankeno C$7.8m and the royalty will extend to any additional expansion of the mine's capacity and sales and also to any other mines' development by Cominco on Little Cornwallis Island.

Polaris will have a working life of some 25 years and will result in Cominco moving up to become the world's biggest mine producer of zinc; the company already ranks first in lead. It is 54 per cent-owned by the Canadian Pacific group.

SA gold profits down

LAST YEAR'S fall in the gold price, coupled to a lesser extent with the rise in working costs and slightly lower production resulted in a 33 per cent drop to R4.89bn (£2.6bn) in the South African gold mining industry's pre-tax profits.

Stating this, the Chamber of Mines points out that the industry has had to contend only once before in the past 10 years with a fall in the rand value of the average price received by the mines for their gold sales to the Reserve Bank.

The bullion price averaged R402.61 per ounce last year compared with R479.57 in 1980. Because of the depreciation of the rand against the U.S. dollar, the South African mines did not suffer the full effects of the fall in the average U.S. price to $457 from $614.

Even so, the mines' working revenues last year dropped 18.6 per cent to R8.5bn. Working costs increased 17.9 per cent to R41.89 per tonne of ore milled.

Five of the marginal gold mines applied for a total of R26.9m in state aid last year, a figure which compares with only R1.5m in 1980.

SHARE STAKES

Marx Petroleum — Cliff Oil has purchased a further 7,750 ordinary and now holds 143,398 (11.03 per cent).

J. E. England and Sons (Wellington) — Walter Duncan and Goodricke has increased its holding to 1.155m shares (23.1 per cent).

Binemel Bros. — Hammond International Inc. holds 333,000 shares (14.64 per cent).

Leyland Paint halts progress

AFTER A first half turnround to profits of £152,000 from losses of £119,000, Leyland Paint and Wallpaper saw pre-tax profits for the second six months of 1981 drop from £545,000 to £270,000.

Full year figures were down slightly from £426,000 to £422,000. The final dividend is cut from 1p to 0.75p per 25p share, making 1.5p for the year (1p).

The directors say that the fall in trading profits from £1.32m to £1.19m on turnover up from £38.85m to £39.61m is disappointing and comes as a result of an unexpected deterioration in demand in the fourth quarter, due mainly to the bad weather in December.

Although they have not seen a good start to 1982, the directors hope that conditions will improve later in the year, and look for a marked improvement in profitability.

A programme of capital spending to up-grade and re-style its retail outlets has already started and this year's figures include a £344,000 profit (£9,000 loss) on the sale of properties no longer suitable for its operations.

There is an extraordinary cost of £139,000 for rationalisation in wallcovering manufacturing and in distribution.

A joint merchanting venture in Northern Ireland has been set up which, say the directors, will open up a wider market and benefit sales of both paint and wallpaper. In addition, since the year-end, an interest has been acquired in a Canadian manufacturer of vinyls and wallpaper which should help extend its market in North America.

After a tax-charge of £74,000 (£334,000 credit), net profits are well down at £348,000 (£760,000), which gives stated earnings per share of 2.2p (4.8p). Interest payable dropped from £898,000 to £696,000.

In current cost terms, there was a pre-tax loss of £224,000 (£571,000).

● comment

Because of its deep involvement with retailing through its 135 outlets Leyland Paints has felt the direct impact of the sudden draught in the d-i-y market. However any upturn would bring immediate benefits to its retail activities, so, meanwhile, it has been brushing up its operations. Wallcovering manufacture has been concentrated into one unit, instead of two, to save £409,000 overheads in 1982, and midway it should start to gain fro mthe slimming of its regional depot network and more deliveries straight from the factory. Also year-end borrowings were slightly down at 38 per cent of equity funds after the previous year's jump to 42 per cent. Until home demand picks up, external improvement in the current year must come from exports where gains have been made in Europe and in North America where, with the help of a third share in a Canadian factory, it hopes to capture 5 per cent of the wallcovering market. eYsterday the shares were 1p lower at 34p for a respectable yield of just under 6½ per cent.

W. S. Yeates improves

IN THE second six months to October 31 1981 W. S. Yeates, motor distributor, has made up some lost ground to finish with full year pre-tax profits of £827,124, compared with £1.27m. Mid-term taxable results had tumbled from £1.05m to £255,000.

Turnover for the year was down by 10 per cent to £20.34m (£22.57m), while trading profits came to £1.06m, against £1.13m. Investment income was lower at £97,914, compared with £431,000 which included £320,000 profit on the sale of investments. Financing costs took £233,950 (£290,268).

Mr Charles Yeates, the chairman, says the company has started 1982 with its best ever forward order book for coaches, well balanced stocks and considerable financial strength.

He says that in view of the progress made and the encouraging start to the current year's business, an increased final dividend of 5.98p (4.97p) is being recommended for a total of 10.16p (9.17p).

After tax of £36,531 (£38,825) stated earnings per 10p share were down by 14.6p to 38.2p. The retained surplus came through at £805,322, against £1.16m.

The year-end balance sheet shows an increase in investments from £0.69m to £1.66m, with a reduction in stocks to £6.15m (£7.35m) and bank overdrafts to £0.8m (£1.98m).

The company's shares are traded on the market made by M. J. H. Nightingale and Co.

Ocean slides to £33.4m but maintains 4.7p final

Ocean Transport and Trading, one of Britain's leading shipping groups, saw its pre-tax profits drop from £38.5m to £33.4m last year, a much gentler slide than expected in the market.

This was despite a sharp drop from £22.2m to £13.8m in the share of income from associated companies, most of which stems from Ocean's near 33 per cent stake in the OCL (Overseas Containers Ltd) consortium.

OCL was hit by labour disputes at Southampton and in Australia as well as by last year's UK seamen's dispute, all of which cost the consortium some £10m.

For the current year, Ocean directors say there was considerable concern about the level of economic activity, especially in the U.S. Much world trade depended on the U.S. economy and "shipping generally will not return to a healthy level of activity until growth revives in earnest."

At the trading level, Ocean's 1981 profits totalled £39.2m against £30.6m on turnover of £673m compared with £595m. The decline in sterling helped results, with much of the marine revenue in dollars. Currency swings also added to the sterling value of the profits from Singapore Steamship, a subsidiary. This company made operating profits of S$29.8m (S$23.5m) and pre-tax profits of S$29.6m (S$24.3m).

Ocean made a small profit on sales of ships—£100,000 against £2.1m—before paying interest of £19.7m, a slight rise from the £19.4m paid in 1980. The trading profit was struck after depreciation of £26.4m (£25.2m).

The directors say that the lower value of sterling not only improved the company's trading results but also increased the cost of its foreign borrowings. This was partly offset by an increase in value of overseas assets, the net charge to results being £4.9m, a below the line adjustment which was largely unrealised. Total debt eased by £20m to around £175m.

Ocean's tax bill was up from £8.3m to £9.3m, leaving a profit after tax of £24.1m against £27.2m. Minority interests were £3.6m (£1.5m) with the negative exchange adjustment of £4.9m comparing with a £600,000 positive adjustment the previous year.

During the year, Ocean closed its Odyssey repair works on the Mersey and Mercantile Lighterage, resulting in an extraordinary item of £3.3m for closure costs.

The group profit attributable to shareholders was down from £26.3m to £12.3m. A final dividend of 4.7p will be maintained, making an unchanged 9p for the year. Earnings per share were 13.5p against 23.5p.

On a current cost basis, last year's operating profit was £24.3m against £22.9m with the pre-tax figure down to £17.4m from £24.6m. The current cost profit attributable to shareholders was £2.1m against £15.6m.

Directors say interest rates are likely to remain high for the time being with the world slower to come out of recession than earlier expected. With a more stable labour situation in Southampton, OCL's profits should improve in 1982 and Straits Steamship provide continued growth.

In general, however, "we may still be held by the continued sluggishness of world trade." Bulk shipping markets had not begun the year well and Ocean expected substantially lower profits than in 1981. But this would affect Ocean less than many other shipping companies.

See Lex

Standard Secs. placing at 136p

Standard Securities, a fast-growing property company, is coming to the stock market by way of a placing of 2.2m ordinary shares. At the placing price of 136p per share, the group is capitalised at £15.6m.

Standard was formed at the end of 1971 with a policy of creating property investments, by development, refurbishment or improvement, to be retained. Net assets have grown from £145,000 to £19.5m. The group's properties were independently valued at March 12, 1982 at £30.8m.

By the end of 1973, the group had entered into arrangements with the Norwich Union Life Insurance Society for medium- and long-term finance. Norwich Union also took an equity stake, which will amount to 15.6 per cent following the placing.

In December 1971, Royal Insurance subscribed for £3.5m of convertible loan stock and agreed to make available up to £10m in long-term mortgage finance. It is taking a further £1m of loan stock next month.

The Balance sheet at September 30, 1981 shows investment properties worth £30.2m, current liabilities of £7.46m and short-term borrowings of £7.3m.

The group has a growing rent roll from its commercial and industrial properties and a small trading portfolio. Turnover grew from £1.16m in the year to October, 1977 to £2.4m in 1980 and £2.96m in the 11 months to September 30, 1981. Profits before tax over the same period has grown from £167,000 to £311,000 and £277,000 in the 11 months to September 1981.

Rents from investment properties amounted to £1.14m and from trading properties £234,000.

The directors forecast profits of £0.5m for the year to September, 1982 and expect to pay a dividend of 1.4p per share. If the group had been a public company for the full year and had the proceeds of the share placing and stock sales for the full year, the profit forecast would have been £0.8m and the recommended dividend 2.8p.

Of the shares in the placing, existing shareholders are realising about £1m and the company is raising £1.7m in new equity. The placing has been made by Hambros Bank and brokers are Rowe and Pitman.

● comment

Mr Gerald Leigh and Mr Ronald Struth, who may be remembered as directors of Kennedy Leigh, have built up Standard very quickly. The portfolio, concentrated largely in the south-east, consists of a good mix of mature and developing properties. Particularly interesting is the group's proposed village-style plan for a 4.8 acre site at Stratford, East London. Completion of this and a modernisation at Victoria Station House will take some time and so the spectacular growth of asset value could slow down a bit. At the placing price, the fully diluted discount to asset value of 25 per cent is understandably somewhat above the industry average. The indicated prospective yield is 2.9 per cent.

Cambridge Electronic £0.9m above forecast

PROFITS BEFORE tax of Cambridge Electronic Industries at £5.9m for 1981 comfortably topped the forecast of not less than £5m given by the directors at the time of the flotation in June last year.

Earnings per 25p share are given as 10.1p (1980, 8.5p) and on a fully taxed basis at 7.2p, which compares with the prospectus forecast of 6.1p. The dividend for the year is also higher than foreshadowed at 4p per share net, against an anticipated 3.7p—the final being 2.75p.

Compared with 1980's £6.24m, pre-tax profits for the year under review were 5.4 per cent down and although sales at £76.8m (£82.9m) showed a decrease on the previous year's, the improvement in the results as against forecast was achieved largely by an aggressive drive to reduce costs.

The directors point out that both sales and trading profits (£43.4m, against £49.4m, and £3.7m, compared with £4.9m) in the electronic and electrical components sector, were below the levels of 1980 as a result of the difficult conditions caused by the recession.

Sales and trading profits in the defence and electronic systems division (£21.4m, against £20.7m, and a same-again £0.6m) were maintained despite the "considerable turmoil caused by the changes in the UK defence policy" and the recession.

For companies in the specialised engineering sector (sales were £12m, against £12.8m and trading profits £1.2m, compared with £1.4m) 1981 was a period of consolidation.

The pre-tax figure was struck after net interest receivable of £447,000 (£674,000 charge) and was subject to tax of £2.02m (£2.89m).

Minority debits were lower at £236,000 (£302,000) and attributable profits came through £398,000 ahead at £3.65m. On a CCA basis taxable profits were £4.63m (£3.95m) and earnings per share 6.4p (2.3p).

● comment

Cambridge has paid a higher than indicated dividend on the back of a profits turnout £0.9m above forecast when the shares were floated last summer. Trading profits were down a fifth against 1980 and clearly interest receivable has made all the difference. This was purely a function of the reduction cutting working capital needs and as soon as the order book starts to fill out much of Cambridge's cash balances will be sucked back into actual materials. Still this should not detract from a good performance justifying the share price rise over recent months. When spun off from Philips, Cambridge appeared to be leaving the nest a little prematurely. Then a quarter of its subsidiaries were still in the red. Only two are now trading at a loss and one looks likely to be brought round soon. The bad news is the cutbacks in the Royal Navy. That has had a disastrous impact on sonar operations and resulted in two plant closures with £1m write off above the line in 1981. A p/e of 15.4 and yield of 4.7 per cent suggest that the market has not lost sight of the "electronics" tag—and probably rightly so.

Banro suffers a setback

THE metal finishing subsidiary, William Bate, is given as the main cause of a setback in taxable profits at Banro Consolidated Industries which fell by £175,649 to £725,848. Turnover improved from £19.86m to £21.11m for the year to end December 1981.

Mr Edward Rose, chairman, says indications are that profits in the first half of 1982 are likely to be at about the same level as last year. Several developments are in hand, which, combined with the corrective action taken at William Bate, will put the group in a good position to increase profits again, once the economic recovery gets under way, he says.

The final dividend has been lifted from 2.425p to 2.725p, which gives a total of 3.3p (3p). Stated earnings per ordinary 20p share are lower, however, at 7.6p (7.7p).

"Although it is a disappointment to fall back," says Mr Rose, "I regard the 1981 result as a creditable performance in the light of the widespread international recession and the frequent periods of disruption to which the motor industry has again been subjected."

He noted that, as indicated in his interim statement, there was a second half improvement — second half taxable profits moved ahead from £300,497 to £408,848.

There is little prospect of an early return to profitability at William Bate, according to Mr Rose. The plating industry in which this company is engaged is not at all buoyant, and Mr Rose says that further remedial action will be taken.

A policy of diversified products and developments is under way, says Mr Rose. Plated Strip (International) is installing plant for a new product range to be operative in the second half of the year. Plant and machinery have been installed in a new factory at Edward Rose (Telford) — orders have been received for later in the year.

The main group activities are the manufacture of framed windows, rolled sections and pressings.

It is proposed to change the name of the company to Banro Industries PLC at the AGM.

After increased minorities of £62,221 (£58,165) and an extraordinary debit of £33,853 (credit £50,998) attributable earnings emerged lower at £390,713 (£911,938).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Copsorts, City of Aberdeen Land Association, Cope Allman International, Manson Finance Trust, Newman-Tonks, Pifco.

Finals: Anglo-African Finance, Hanger Investments, Charles Hurst, Molynx, Southampton Isle of Wight and South of England Royal Mail Steam Packet.

FUTURE DATES

Interims—	
Park Place Investments	Mar 31
Finals—	
Appleyard	Mar 29
Bambers Stores	Mar 30
Bowater	Apr 6
British Mohair Spinners	Mar 31
Brixton Estate	May 5
Dinkie Heel	Mar 31
Downiebrae	Apr 29
Early of Witney	Apr 2
Finlan (John)	Apr 1
Grampian Television	Apr 22

Fairview ahead at six months

FIRST HALF taxable profits from Fairview Estates moved ahead from £2.7m to £3.83m for the six months to end December 1981. Turnover improved by £3.05m to £14.78m.

The interim payment has been lifted by 5 per cent to 1.328p (1.265p). Last year's total of 4.547p was paid from taxable profits of £5.75m on turnover of £27.83m. Earnings per ordinary 50p share this time rose from 4.1p to 7p.

The company's contracted rent roll is £3.9m, says Mr D. Cope, chairman. Good progress in creating a balance between investment and development properties in the portfolio is being made by the development of office and retail investments.

The housing business has improved from a very poor winter period, says Mr Cope, but he adds that it is too soon to tell if the recent reduction in interest rates will consolidate this improved market into a base for further growth.

By virtue of the underlying property assets, says Mr Cope, the company remains in a strong financial position.

Net asset value per share was given as 149p (144p).

Good year for IBM in the UK

TAXABLE PROFITS of IBM United Kingdom Holdings, information handling equipment manufacturer, advanced by 5 per cent to £161m for 1981, compared with £153m previously.

Turnover of this unquoted group totalled £1bn, against £984m, with sales and rentals to UK customers improving to £582m (£502m). Exports of goods and services, however, declined to £420m from £452m in 1980.

After tax the net balance emerged £9m lower at £82m. New investment in fixed assets totalled £118m (£132m).

Commenting on the results, Mr E. R. Nixon, chairman, said: "Considering the prevailing economic conditions, 1981 was a successful year for IBM in the UK. By our efforts to control expenditure . . . we succeeded in keeping costs down relative to inflation and maintained our profit margin.

"While overall revenue growth was 5 per cent, revenue from UK sales grew by 16 per cent. The decrease in export revenue was largely due to restructuring of product output from our manufacturing plants."

He added that Havant had taken on a major new responsibility in the manufacture of semiconductor substrates which would contribute significantly to the group's future exports.

Looking ahead to 1982, Mr Nixon said with the group's recent realignment, product range, strong financial position, productive plants and development laboratory, it is well placed for further growth.

IBM is a subsidiary of International Business Machines Corporation of the U.S.

SPAIN

March 25	Price %	+ or −
Banco Bilbao	342	
Banco Central	339	−9
Banco Exterior	302	
Banco Hispano	314	
Banco Ind. Cat.	110	
Banco Santander	341	−1
Banco Urquijo	204	
Banco Vizcaya	381	
Banco Zaragoza	239	
Dragados	160	+2
Espanola Zinc	60.5	
Fecsa	60.7	+0.2
Gal. Preciados	38	−1
Hidrola	61.7	−0.3
Iberduero	53.2	+1.7
Petroleos	91.7	+0.7
Petroliber	99	
Sogefisa	9	
Telefonica	71	
Union Elect.	63.7	+0.2

Tricentrol earnings hit by heavy tax

FINAL QUARTER pre-tax income of Tricentrol, the oil, gas, minerals exploration group, moved ahead from £10.94m to £12.55m and lifted the full 1981 figure to £45.14m, compared with a previous £41.09m. Sales expanded by £19.04m to £88.6m.

After supplementary petroleum duty of £11.73m for the year, together with petroleum revenue tax and corporate taxes amounting to £19.01m (£23.35m), net income, however, came through behind at £14.4m, against £17.74m.

Income per 25p share is shown as 23.7p (31.2p), but the dividend is maintained at 8.4p net with a same-again final payment of 5.6p.

The directors say that figures for 1980 have been restated to exclude results of the commercial businesses that were either demerged or discontinued during 1981.

Group cash flow from operations, before tax of £8.3m, totalled £67.6m (£55m), or 111.2p (91p) per share.

Mr James Longcroft, chairman, says the London operational office continued to grow with the acquisition of licences as operator for groups of companies both offshore Australia (NT/P33) and New Zealand (P38114) and in preparation for an active programme of exploration drilling in the UK in 1982 and 1983. Tricentrol Oil Trading, which was established in 1979, had a further successful year.

In keeping with the group's aggressive plans for North America, the U.S. and Canadian subsidiaries experienced substantial change during the year, he states, with the expansion into several new geological areas including the Gulf of Mexico—offshore, the Williston Basin, the Anadarko Basin and several other hydrocarbon-rich basins in the U.S.

The technical staff in Calgary and Houston was strengthened substantially to handle the increased demands of this growth and, in September 1981, a Denver office was opened to service the exploration effort in the U.S. Rocky Mountain area; "all of this to support our 1982 plans which call for capital expenditure of C$11.6m ($11m) in Canada and US$60m ($43.5m) in the U.S."

	1981 £000	1980 £000
Sales	88,600	69,557
Income	46,135	39,418
Corp. expenses	1,071	1,042
Interest received	74	1,022
Except. credit	—	1,689
Pre-tax income	45,138	41,085
SPO*	11,733	—
PRT†	8,997	8,891
Corporate tax	10,013	14,454
Net income	14,395	17,740

* Supplementary petroleum duty.
† Petroleum revenue tax.

Such expenditure will have negative effects on profitability and cash flow in the short term, but in the medium to long term will, given continued success, strengthen significantly Tricentrol's position as an exploration and production company with a good reserve base and strong technical competence in North America, Mr Longcroft states.

An analysis of the oil and gas operations on a geographical basis, between sales and operating income, £46.14m (£39.42m), shows: UK £73.88m (£59.26m) and £40.44m (£34.64m); Canada £7.33m (£5.52m) and £2.02m (£1.95m); U.S. £7.89m (£4.78m) and £2.57m (£239m); oil trading £1.1m income (£440,000).

Sales and after tax losses which were excluded from results because of the demerger and sale of non-oil and gas activities amounted to £91.14m for the six months ended June 30 1981 (£170.3m for previous 12 months) and £2.03m (£2.02m) respectively.

Mr Longcroft says the highlights of 1981 were the demerger, the repayment of the Thistle Field related debt, and the successful entry in offshore U.S. Gulf Coast exploration.

He says the expected acquisition of a U.S. exploration and production company did not materialise, but adds that "company or reserve acquisitions are still part of Tricentrol's plans for the future in North America and elsewhere, but only when realistic values can be negotiated."

Mr Longcroft said later that the group remains "actively interested" in U.S. acquisitions. Meantime, the group is preparing for drilling in Australia and New Zealand next year, and is a member of a consortium to apply for licences offshore China.

For the current year Tricentrol has sold all of its Thistle entitlement on BNOC related prices and is "not vulnerable to the spot price in 1982."

As announced on March 16, Tricentrol made an offer for the share capital of CCP North Sea Associates valuing the company at £15.26m. It involved the issue of 5,489,156 Tricentrol shares and a total cash consideration of £5.49m.

● comment

Tricentrol's final quarter rather disappointed the market: the shares fell 4p to 194p. A steep drop in quarterly income from the U.S. probably caused the most concern, but the outlook is rather unclear. Whereas the fall in North Sea income will be limited by the price at which 1982 production has been prudently pre-sold, the prospects for lifting earnings are very sensitive to spot-market fluctuations, and to Tricentrol's skill in spot dealing. At this stage there is a need to grow faster than can be done organically (by pure exploration). If Tricentrol's bid for CCP succeeds it would give a welcome boost to cash flow from Buchan by the end of the year. At the moment, earnings are looking rather heavily dependent on Thistle: further acquisitions—if they can be arranged at suitable prices, particularly in the U.S.—will take the pressure off exploration. The shares yield a cautious 6.4 per cent, and the wary just under 8 times net earnings.

Saga advances 10% to £1.45m at mid year

IN THE six months to December 1981 Saga Holidays saw the effect of holding down prices on overseas holidays, says Mr Sidney de Haan, chairman. Taxable profits increased by 10 per cent from £1.32m to £1.45m and turnover improved by 49 per cent from £14.81m to £21.11m.

A net interim dividend is effectively increased from 1.067p to 1.2p per 10p share after allowing for a two-for-one scrip last year's final was equal to 2.67p. Stated earnings per share are 7.32p against 7.31p.

Mr de Haan says strong growth and turnover has continued in the second half with improved operating profit margins in the mainstream business. The U.S. operation will continue to incur losses during this year, but with the company's reception in the North American market "the future looks promising."

As part of its expansion programme into the conventional holiday market, the company launched the Take Five family holiday scheme in September 1980. Three days after acquiring Laker Air Travel from the Receiver for £500,000, a new division Laker Holidays was launched.

Mr de Haan points out that the acquisition has provided the company with a substantial peak season tour operation which will add to its already strong buying power now that this will be on a year-round basis.

He says it is difficult to quantify the effect of the change of ownership, but he is hopeful the division will have a considerable annual turnover and make a significant contribution to profits in the future.

Mr de Haan argues that the cost of acquiring the new business was more than covered by the value of tangible assets and that he anticipates that costs and initial operating losses will total not more than a further £600,000 after relevant tax relief. The greater part of this amount is expected to be reflected as an extraordinary item in the annual accounts.

The company has ample financial resources and will be able to fulfil all its obligations including those to hoteliers, carriers and passengers involved in Laker Holidays, says Mr de Haan.

He adds that although the full year profits have to reflect the cost of these latest developments, he is none the less confident of satisfactory results.

Half time pre-tax profits include investment income and income from leasing of £352,000 (£568,000) after deducting holiday discounts given for early payment on holidays taken in the period.

Tax took £93,000 (nil) but Mr de Haan anticipates that there will be capital allowances from the company's further investment in leased assets and that there will therefore be no tax payable on the profit for the period. After tax profits rose from £1.32m to £1.35m.

Retained profit was £1.14m (£1.12m).

The company's net current assets stand at £5.53m (£3.88m) compared with £4.27m at the year end to June 30 1981.

● comment

The move into the U.S. market and acquisition of Laker Air Travel, while raising the potential of Saga Holidays do not represent a major departure from its previous cautious attitude to business. As in the past it aims to secure advance payments in full from all customers—on which to earn a valuable income without putting the money at risk—and to use its all-year-round buying power to secure competitive terms from suppliers. With a further £200,000 U.S. costs to be taken above the line in the second half, the prospect for the current year is one of steady improvement from its existing unemployment-proof retirement business, and investment income shaded by lower interest rates, pointing to little change from the £3m pre-tax last time. The shares eased 5p to 156p yesterday for a prospective fully taxed p/e of 20. The company should return to growth in 1982-83 with breakeven likely in the U.S. and at Laker.

Bernard Matthews £3.1m lower

DESPITE AN increase of more than 22 per cent in sales to £53.51m, pre-tax profits of Bernard Matthews, turkey producer, fell to £1.62m for the 53 weeks to January 3 1982 from the previous record level of £4.75m.

Profits in the first half of the year plunged from £1.71m to £329,000 pre-tax. Mr Bernard Matthews, chairman, says: "Following the threat of subsidised French imports earlier in the year, the Christmas market was extremely weak and a significant loss for the year was made on the sale of whole turkeys."

The final dividend is 2.375p per 25p share which, on capital doubled by a scrip issue in 1981, effectively maintains the total at 4.375p.

Trading profits fell to £3m from £5.63m. Interest charges rose sharply to £1.38m from £878,000 as the company continued its heavy investment in fixed assets. However, the major expansion plans in turkey meat production are now nearing completion, Mr Matthews says.

After a tax credit of £257,000, against a charge of £574,000, net profits are £1.88m, down from £4.18m. Stated earnings per share are 11.75p, compared with 24.61p, adjusted for the 1981 scrip issue.

In current cost terms there was a pre-tax loss of £79,000 against a profit of £3.68m.

● comment

The 22 per cent rise in turnover of Bernard Matthews last year shows there is still lots of life in the markets for turkeys and turkey products—at a price. Most of the contracting of Christmas turkeys was done at depressed prices before the ban on imports was imposed and competition in processed products stiffened. Of the £2.6m fall in pre-tax profit, £1m is attributable to last winter's feed problem, £0.5m to higher interest charges and the rest to the company's difficulties in passing on higher costs. Borrowings have come back to about £7.5m after another year of heavy investment and Matthews is confident its financial position will improve further this year as spending tapers off and profits recover. The potential is substantial, but the market is volatile, the current strike is unsettling and, in the longer term, the question of foreign competition is going to have to be faced again. At 110p, up 5p, the shares yield less than 6 per cent.

Mixconcrete in profit second half

AFTER pre-tax losses of £225,000 at the half year, Mixconcrete (Holdings) returned to profits in the second half reporting total taxable profits for the year to November 30 1981 of £50,000 against £1.6m.

A final net dividend of 2.5p is being maintained making the same again total of 4.05p. Stated earnings per share are down at 1.9p compared with 9.26p.

The directors say there are signs that an air of confidence is returning to the construction industry. They are cautiously optimistic that activity will be stimulated following the additional funds for public housing and repair provided by the Chancellor as well as the trend towards lower interest rates.

Taxable profits were struck after interest of £553,000 (£542,000). There was a tax credit this time of £120,000 against a debit of £768,000.

Attributable profits fell sharply from £1.12m to £265,000 and included extraordinary credits of £88,000 (£259,000) but before minorities.

CCA shows pre-tax losses of £1.13m.

Garton Eng. incurs loss of £0.3m

LOSSES OF £334,000 were incurred by Garton Engineering during 1981, although there were signs of improvement in the second half. After reporting first half pre-tax losses of £206,000 in the opening six months, the company cut these to £128,000 in the second half. In 1980, there were pre-tax profits of £125,000. No final dividend is being paid—the interim was also omitted. Last year's final was 1p for a total of 4.15p.

Mr Aubrey Garton, the chairman of this manufacturer and distributor of precision engineering components and fasteners, says that in spite of the losses incurred, group borrowings were reduced by £288,000 at the year-end.

He says the modest improvement shown in the second half, plus a substantial increase in group turnover for the first two months of the current year compared with the same period last year, indicate that the benefits of restructuring, particularly increased productivity, are beginning to show through in all activities.

Group turnover for 1981 was down from £10.99m to £9.7m. The pre-tax figure was after interest of £14,000 (£17,000) charged on convertible loan stock. There was a tax credit of £45,000 (£8,000 charge) and extraordinary debits of £70,000 (£296,000), leaving a net loss of £359,000 against £179,000.

The extraordinary item consists of redundancy and re-structuring costs amounting to £70,000.

There was a stated loss per 10p share of 7.85p against earnings of 3.22p. On a CCA basis, there was a pre-tax loss of £781,000 (£787,000), and a loss per share of 19.97p (21.82p).

● comment

Two years of fixed prices, sharply rising energy costs and a volume drop of almost 25 per cent tell their own story. There are some straws of comfort: a recent reduction in steel prices, while foreign competitors experienced a hike, has helped to keep second half losses at almost half the level of the comparable period. A 10 per cent rise in selling prices at the beginning of the year has helped current trading, but the short lead nature of the order book makes it impossible to say whether a first-half profit this year is on the cards. All of last year's losses, and then some, came from the bolt side which represents about 40 per cent of turnover. The workforce has been halved in the past two years, and the company is now about to institute a further bout of restructuring — but will not say what this will involve. With gearing at about 25 per cent, Garton is not stretched financially. The share price down 1p at 23p is at a sixth of net asset value, while Garton is capitalised at under £850,000.

Arbuthnot Government increases

For the six months to January 31 1982 net revenue of Arbuthnot Government Securities Trust advanced from £1.48m to £2.33m.

The amount of equalisation on shares issued was £18,119 (£203,850) and income attributable to shares redeemed totalled £14,886 (nil). This left the attributable balance ahead from £1.64m to £2.33m.

RESULTS AND ACCOUNTS IN BRIEF

BERISFORDS (ribbons, trimmings) — Results for year ended November 30 1981 reported March 3. Group fixed assets £3.68m (same); net current assets £3.57m (£3.39m); shareholders' funds £7.16m (£6.95m); increase in bank borrowings £939,000 (£42,000 decrease). Meeting, Congleton, Cheshire, April 15, 11 am.

STERLING TRUST—Results for 1981 reported on January 26 1982. Investments—listed at market value, UK £31.96m (£32.23m), elsewhere £17.54m (£13.87m); unlisted at directors' valuation £1.95m (£893,804); net current assets £1.26m (£239,476 liabilities); ordinary shareholders' funds £48.7m (£45.81m). Meeting, 122 Leadenhall Street, EC, April 7, at 3.30 pm.

REA BROTHERS—(merchant banker) —Results for 1981 reported March 5. Group shareholders' funds £7.77m (£5.33m). Acceptances for customers £17.39m (£16.15m). Current assets £86.52m (£68.81m). Advances £46.43m (£35.02m) and deposits £133.95m (£103.47m). Gross assets £158.31m (£125.1m). Meeting, Winchester House, EC, April 21, noon.

ST ANDREW TRUST—Results for 1981 reported February 27. Investments at market value £23.75m (£22.03m), listed on the UK Stock Exchange £12.97m (£13.39m). Cash on deposit £1.33m (£941,000). Net current liabilities £450,000 (£336,000). Shareholders' funds £24.28m (£22.29m). Future investment holdings will concentrate on smaller companies resulting in slower immediate dividend growth. Meeting, Edinburgh, April 8, 12.30 pm.

ROWLAND GAUNT (ladies wear manufacturer, 55 per cent owned by Queensway Securities since November 11, 1981)—For half year to December 31, 1981: turnover £274,234 (£326,125); trading losses £23,991 (£8,180); pre-tax losses £53,092 (£6,739) after severance and redundancy payments. Directors say despite measures to contain losses, there may be further adverse figures before company can be turned round to profitable basis. Company's year-end to be changed to April 30 to fall in line with Queensway. Last dividend by this close company was single payout of 1.5p net per 25p share in 1978.

BROOKE TOOL ENGINEERING (HOLDINGS) (specialist and machine tools and steel fabrications)—Results for year to October 2 1981 already known. Shareholders funds £4.31m (£3.51m); secured loans £1.77m (£1.07m); fixed assets £3.94m (£3.11m); net current assets £1.66m (£1.07m). Mr O. M. Saunders, chairman, says losses continued in first half of current year. Meeting: Great Eastern Hotel, Liverpool Street, EC, April 14, 2.30 pm.

FIRST SCOTTISH AMERICAN TRUST —Results for year to January 31 1982 reported February 25. Investments £55.56m (£48.97m)—of these, £32.11m (£29.39m) listed at market value in UK and £22.23m (£18.8m) overseas. Net current assets £630,017 (£[illegible]). Ordinary shareholders' interest £52.89m (£45.45m). Increase in liquidity £778,000 (£461,00). Meeting, Dundee, April 14.

INVESTMENT TRUST OF GUERNSEY —Results for 1981 reported on February 23, 1982. Shareholders' funds £14.55m (£12.55m); current assets £898,089 (£1.03m), net current assets £541,243 (£313,750); increase in liquidity £215,343 (£167,043 decrease). Meeting, St Peter Port, Guernsey, April 16, at 3 pm.

BUSINESS COMPUTERS (SYSTEMS) —As forecast in prospectus for USM placing, dividend of 1p for 1981. Earnings before extraordinary debit 8.6p (7.1p). Turnover £5.24m (£4.8m) and profit £427,000 (£418,000) before tax £38,000 (nil). Extraordinary debit represented £76,000 cost of issue and placing.

GREAT NORTHERN INVESTMENT TRUST—On March 19 estimated net asset value 177.8p for company and 474.5p for RIT, after prior charges at market value.

CITY AND COMMERCIAL INVESTMENT TRUST—Revenue year ended January 31 1982 £107m (£999,969) before tax £365,951 (£333,295). Final dividend 1.282p (1.317p) making 2.992p (2.821p). Lower final reflects change of timing of investment income received in favour of the first half. Net asset value per £1 capital share 365.125p (311.125p).

RIVOLI CINEMAS—For six months to October 6 1981 sales and entertainment receipts £108,635 (£107,777) pre-tax profits £68,680 (£80,488); tax £24,220 (£30,994); earnings per 50p share 22.24p (24.7p); profit on disposal of an investment £29,205.

WINTERBOTTOM ENERGY TRUST—Asset value on March 19 was 55.7p after prior charges at par, and 58.4p after prior charges at market value.

WEBER HOLDINGS—(investment property holding)—Results for 1981 reported February 12. Shareholders' funds £1.46m (same); net current assets £454,166 (£779,150); fixed assets £604,252 (£346,084); decrease in bank balance £412,771 (£606,308 increase). Meeting, 63-65 Piccadilly, W, April 15, 4.00 pm.

GREENFIELDS LEISURE (leisurewear and camping)—Results for the year ended October 31 1981 reported March 8 in preliminary statement with prospects. Group fixed assets £6.38m (£6.81m); current assets £5.48m (£5.16m); current liabilities £7.5m (£6.39m); shareholders' funds £3.[illegible] (£5.57m). Meeting, Great Eastern Hotel, EC, April 18 at 10 am.

ALLIANCE TRUST—Results for the year to January 31, 1982, reported on March 6. Investments £200.7[illegible] (£175.16m) including listed in the UK £104.86m (£109.52m). Ordinary shareholders' funds £201.87m (£165.15m). Total increase in liquidity £10.4[illegible] (£352,000). Meeting, Dundee April [illegible] at 11.30 am.

GENERAL FUNDS INVESTMENT TRUST —Results for year to January 15, 1982, already known. There has been a large redeployment of the trust's resources with changes in the distribution of investments. The directors intend maintaining a reasonable level of gearing, concentrating on smaller progressive companies and keeping a major commitment to Japan. Total assets £32m (£30m); total funds [illegible] (£1m) with £1.7m (£1m) generated from operations and £4.[illegible] generated from foreign currency [illegible] drawn; increase in liquidity [illegible] (£0.66m decrease).

ROSEDIMOND INVESTMENT TRUST —Results for the year to January 31 1982 reported March 18. Investments £7.42m (£6.31m). Net assets [illegible] (£7.23m). Decrease in [illegible] £822,718 (£773,343 increase). Meeting: 41 Bishopsgate, EC, [illegible]

INTERNATIONAL COMPANIES and FINANCE

Republic Steel sees substantial operating deficit for quarter

BY RICHARD LAMBERT IN NEW YORK

REPUBLIC STEEL, the fifth largest U.S. producer, expects a substantial operating loss in the first quarter of its current financial year.

In its annual report, issued yesterday, the company said that the expected loss resulted from high interest rates and the recession, which had weakened demand for steel products. It added that high imports were also a factor in reducing demand for domestic steel.

During the first quarter of last year Republic reported net income of $32.6m, including a $6.2m clawback from an income tax settlement. Net income in the final quarter of the year was $35.9m.

However, there have been clear signs of a deteriorating business climate in recent months. By mid-March, 7,300 of Republic's 41,000 employees were laid off—up from 5,500 in early February. About 4,600 employees are currently on a short working week.

The company said that its various cost saving measures had not offset the impact of low shipment levels, depressed prices and adverse shifts in the product mix.

Republic's shares slipped to $21, down a quarter, in early trading yesterday.

● National Steel, the fourth largest in the U.S. industry, recently forecast that it would incur a group loss for the first quarter of the current year, against a $15.7m net profit previously, having earlier said that its steelmaking operations would be in the red. National has aluminium interests and extensive savings and loan operations but draws almost a fifth of its steel sales from the depressed motor industry. Republic wins roughly 15 per cent of sales from the motor industry.

Continental Air and TXIA to be merged

By Our Financial Staff

CONTINENTAL AIR Lines and Texas International Airlines (TXIA) are to be merged, six months after TXIA was cleared to exercise control of its 51 per cent stake in Continental, a carrier three times its size.

Under the proposals, Mr Frank Lorenzo's Texas Air Corporation, TXIA's parent will exchange four tenths of a common share and a $4.15 per cent preferred share for each Continental share. This values the 7.7m outstanding shares at between $5 and $6 compared with the $12 to $14 a share TXIA paid for its original holding.

Texas Air and Continental said the proposed combination would result in "significant operating cost reductions and revenue enhancements for both airlines."

Continental and TXIA would co-ordinate their operations by synchronising their schedules to provide feed traffic for each other and improved connections at their major operating centres, Houston and Denver.

A committee of outside directors on the Continental board has given preliminary approval to the deal, which must win the support of 80 per cent of the outstanding shares at a meeting in June. Its investment advisers have recommended the proposals.

The proposals come after a year of mounting losses at Continental, which ended 1981 with a net deficit of $60.4m after extraordinary gains of $1.4m. It had hoped to achieve break-even this year.

Continental has debts totalling around $350m, with $30m of this in short-term borrowings, and has been negotiating a further $25m in short-term debt to fund anticipated losses and other cash requirements.

Alcan Aluminium expects sharply lower earnings

ALCAN ALUMINIUM expects earnings for 1982 to be significantly lower than last year's $264m, Mr David Culver, president and chief executive officer, told the annual meeting. He gave high interest rates and depressed manufacturing output as reasons for the forecast.

"While conditions in Europe were still difficult, some Alcan subsidiaries there had started to report improved bookings, he added.

Mr Culver said that operating results from the first quarter will be near the break-even point. He could not say whether the company would report a profit or a loss in the quarter but added "hopefully we'll be in the black." In the previous first quarter, Alcan earned $82m.

Mr Culver did not see any clear sign of a substantial improvement in aluminium prices, except in Brazil and a few other markets.

The Caisse de Depot et Placement du Quebec, which has a 5.3 per cent stake in Alcan, has not asked for representation on Alcan's board.

Alcan's pattern of financing through local subsidiaries for local requirements is likely to increase in the future.

Alcan expects total inventories to fall during the year, because of gains in sales volumes as well as reduced operating rates.

Price realisation on ingot remains unsatisfactory and Mr Culver added that "not much improvement is likely in the short term."

Reuter

Alan Friedman and William Hall look at CSFB management changes

Leading Eurobond house reshuffles the pack

THE appointment of a new chief executive, Mr Jack Hennessy, at Credit Suisse First Boston (CSFB), one of the Eurobond market's leading houses, was announced this week in a manner uncharacteristically low-key for the organisation.

CSFB, more than any other Euromarket bank, is in the glare of publicity. It has been responsible for the highest number of lead managements over the past 12 months. It brought the largest floating rate note (Swedeo) to Europe and brought out American Telephone and Telegraph's first Eurobond issue last month. It also has one of the Eurobond market's longest histories of management wrangles.

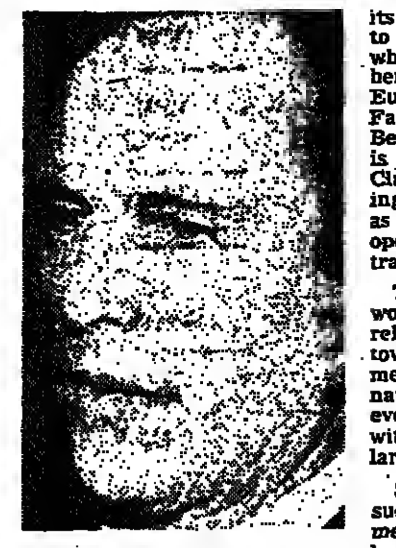
Executives have come and gone at CSFB at quite a rate and for this reason it is every Euromarket bankers' favourite subject for after-dinner gossip. Dr Michael von Clemm, CSFB's chairman lends to the bank's mystique with his articulate and colourful pronouncements on the Eurobond market.

The latest reshuffle involves the appointment of three new deputy chairmen—Mr Hans-Joerg Rudloff, Dr Han-Ulrich Doerig and Mr Robert J. Strebl. All three are well-known Eurobankers, each with a different style.

Mr Rudloff is CSFB's syndicate manager, a flamboyant and controversial figure who has master-minded some of the Eurobond market's most breathtaking deals.

Dr Doerig, temporary chief executive, was brought in last year when Dr von Clemm relinquished this position to focus on the chairmanship. Dr Doerig will return to Zurich to become deputy member of Credit Suisse's executive board; Mr Hennessy will take Dr Doerig's job in London.

Mr Hennessy's appointment, from First Boston, raises some questions as to why it is necessary to go outside CSFB for a chief executive. One former CSFB executive who left after a clash last year suggested that Mr Hennessy's appointment was a sign of the growing influence of First Boston.



Dr Michael von Clemm

A more sensible explanation might be the desire at CSFB to co-ordinate more closely among the Swiss, London and U.S. operations by bringing in a First Boston man.

As for Mr Strebel, he is the man who resigned as head of foreign exchange, from Union Bank of Switzerland in 1974 after the bank lost SwFr 142m ($74.9m) in foreign exchange dealings. But Dr von Clemm says that the new deputy chairman's past is a "non-issue."

CSFB is an unusual animal in the international capital markets. It is a recognised UK bank, owned by the Swiss-based Financiere Credit Suisse-First Boston, which earned SwFr 52.9m after tax on its capital of SwFr 251m in 1981. The latter is jointly owned by The First Boston Corporation, a leading U.S. investment bank, and Credit Suisse, one of the big three Swiss banks.

CSFB sees its relationship with its ultimate shareholders as an alliance which provides its clients with maximum access to the U.S. capital markets while First Boston's clients benefit from the access to European, Middle Eastern and Far Eastern sources of capital. Besides CSFB in London, there is a thriving Swiss operation, Clariden Bank, plus a fast growing Singapore merchant bank, as well as several other operations including a gold trader, for example.

The formula has clearly worked and CSFB, despite its relative youthfulness, now towers above the older London merchant banks in the international capital markets. However, success has not been without its problems, particularly on the management side.

Since then there has been a succession of senior management changes at CSFB as the bank has tried to match the aspirations of its senior executives and adapt to the rapid changes under way in the financial markets. To date it has been more successful at the latter than the former.

Dr von Clemm remembers the early days "when we used to sit around for hours discussing the timing of issues and whether we should include 'good old Charlie' in a certain bracket because he had bought us a good lunch in Paris."

Dr von Clemm took over as chairman and chief executive of the London bank in 1978 after the abrupt resignation of Mr John Craven, who departed, along with several senior executives, because he was unhappy about the association with First Boston and the way it had been arranged by Credit Suisse.

Those days are over and CSFB now operates in a high risk capital intensive business. "You are no longer given the time to mull things over," says Dr von Clemm, who stresses that the jobs of chairman and chief executive were split so that he could travel the world representing CSFB while the chief executive runs day to day operations. Under present conditions it is impossible to combine the two functions, given the gruelling workload.

Mr Hennessy, aged 45, who is taking over as chief executive, has known Dr von Clemm for years, both having been to the same school and having worked together at one stage in Citibank. Before joining First Boston in 1974 he was assistant secretary of the U.S. Treasury for international affairs.

Having been in charge of First Boston's domestic and international corporate finance activity, Mr Hennessy will remain a director of First Boston with the title of vice-chairman.

Panel sees rise in central bank financial activity

By David Marsh

CENTRAL BANKS from both industrial and developing countries have become more active participants on financial markets to maximise investment profits from their reserves, according to a banking study published today.

Increased spreading of official reserves into different currencies and other investment instruments may contribute to foreign exchange instability, according to the New York-based Group of Thirty.

But the study—based partly on a survey of 22 central banks which hold more than half of the world's $350bn of foreign exchange reserves—says that the impact of currency switching by the official holders is much less than that by private investors.

The Group of Thirty is a research panel of central bankers, commercial bankers, academics and business leaders, chaired by Dr Johannes Witteveen, former managing director of the International Monetary Fund.

Non-industrial countries have gone furthest in diversifying reserves out of the dollar into other currencies like the yen, Deutsche Mark, Swiss franc and guilder. But some of the biggest industrial countries have also started to diversify their holdings, the report says.

Although the Group of Thirty does not mention names, one of the industrial country's central banks believed to have been a trend setter in spreading reserves is the Bank of England—represented in the group by Mr Christopher McMahon, its deputy governor.

Statistics compiled by the group show that last year the dollar comprised about 79 per cent of currency reserves of industrial countries, against 85 per cent in 1970 and 89 per cent in 1977. For non-industrial countries, the dollar made up 59 per cent, little changed from 57 per cent in 1970 but well below the peak of 73 per cent in 1976.

Fine terms for $450m Spanish Eurocredit

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

SPAIN HAS set predictably fine terms for its forthcoming $450m credit in the Euromarkets, for which Lloyds Bank International is to act as agent.

The credit is divided into two tranches. One, a $300m portion, will bear interest at a margin of ⅜ per cent over London Eurodollar rates for the first five years of its life, rising to ½ per cent for the remaining five.

The other will bear interest at 0.15 per centage points over U.S. prime rates for four years rising to 0.25 per cent for the next four. Both tranches bear a grace period of five years before repayments are due to start.

Bankers close to the deal admitted yesterday that such fine margins may reduce the availability of subscriptions from smaller market participants. But they said that two important factors are operating in the credit's favour.

One is that borrowing abroad by Spanish entities has been considerably reduced with the development of a large local syndication market in pesetas. Spanish borrowers increasingly prefer to use this market because it does not involve them in any exchange risk.

As a result, something of a shortage of Spanish paper has developed in the Eurocredit market. New Eurocredits by Spanish borrowers in the first three months of this year fell to only $312m according to Morgan Guaranty Trust from $1.22bn in the same period of 1981.

The other factor supporting the credit is the presence of Spanish banks in the lead management group. Two of these, the savings banks of Barcelona and Bilbao, which rarely figure in the market, lend a particularly regional flavour to the group. The other is the Madrid-based Banco Hispano Americano.

Other banks in the lead group are Citicorp, Crocker, Fuji, Industrial Bank of Japan, Long Term Credit Bank of Japan and Marine Midland.

World Bank placement to raise SwFr 200m

BY ALAN FRIEDMAN

THE WORLD Bank is raising SwFr 200m for five years through a private placement in the Swiss franc market through Credit Suisse. The paper carries a 7¼ per cent coupon and may be increased to as much as SwFr 300m if it goes well.

Meanwhile, in the sterling market, the World Bank's £100m 14 per cent 1987 bulldog bond has been oversubscribed by 1.75 times, Baring Brothers managed the issue, the World Bank's second bulldog in a year.

The only other new issue yesterday was a C$50m seven-year offer for Canadian Pacific through Orion Royal Bank. The bonds, priced at par, carry a 16¼ per cent coupon.

The Eurodollar bond market yesterday dozed through one of its quietest days in months as buying interest dried up.

Most of the recent new issues in the Eurodollar sector appear to have been absorbed, the fastest selling new issue this week being the private placement for the Oesterreichische Kontrollbank through Salomon Brothers.

Eurodollar six-month deposit money stood at 15⅛ per cent last night, an increase of 3/16 per cent. Fed funds also moved upwards in the U.S., rising by a full point to 14¼ per cent.

For the moment the Eurodollar bond market is pausing to reassess its direction. Encouraging financial data from the U.S. is sorely needed if the market is to strengthen and today's U.S. money supply figures could provide the necessary filip.

In the Euro D-mark bond sector prices were unchanged yesterday, probably a technical reaction to the recent rally.

In Zurich, dealers reported a decline of ¼ to ½ of a point in Swiss franc foreign bonds. The U.S. dollar has been rather strong this week against the Swiss currency, always a negative factor in this currency-sensitive market.

● The $50m seven-year bonds for Duke Power were priced last night through Morgan Stanley at par with a 15⅛ per cent coupon, as indicated.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday April 15. Closing prices on March 25

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Anheuser-Busch 16½ 88	100	103¾	103⅞	0	−0¼	15.51
APS Fin. Co. 17¾ 86	80	105⅜	105⅞	−0⅛	0	15.35
APS Fin. Co. 16⅝ 89	75	103½	104	0	−0⅛	15.29
Armco O/S Fin. 15⅞ 88	50	100⅝	100⅞	0	+1¼	15.11
Australian Ind. 15½ 87	25	†99	99½	0	+0⅜	15.71
Baker Int. Fin. 0.0 92	225	24¾	25¼	+0⅛	+1	15.92
Bank Montreal 16¼ 91	150	103½	104	0	+0⅛	15.43
Br. Colum Hyd. 16¼ 88	100	103¼	103¾	−0⅛	0	15.33
Br. Colum. Mfe. 17 97	54	103⅜	103⅝	−0¼	−0⅛	16.34
Burroughs Int. 15¾ 88	50	100⅞	101⅜	−0⅜	−0½	16.44
Canadair 15½ 87	150	100⅜	100⅞	−0⅜	+0⅛	15.30
Can. Nat. Rail. 14⅝ 91	100	97⅜	97⅞	0	+0¼	15.08
Carolina Power 16½ 89	60	103	103½	0	+0⅞	15.67
Caterpillar Fin. 16½ 86	100	103	103⅜	0	−0⅜	15.37
CFMP 16⅝ 96	100	101⅜	102⅛	−0⅛	0	16.35
CIBC 16⅜ 91	100	104⅜	105⅛	−0⅜	−0¼	15.67
CIBC 16 87	100	102½	103	−0⅜	+0½	15.16
Citicorp O/S 16⅜ 88	150	103⅞	104⅛	−0¼	+0⅛	15.33
Cons. Bathurst 17½ 88	60	102⅜	102⅞	+0⅛	0	16.73
Con. Illinois 15¾ 89	100	102¼	102¾	−0⅛	+0⅛	15.13
Dupont O/S 14½ 88	400	99⅝	100⅛	−0⅛	+0⅛	14.45
Dupont O/S Cap. 0.0 90	300	34⅛	34⅝	−0⅛	−0⅛	14.55
EIB 16⅛ 91	100	104⅜	105⅛	−0⅛	+0⅜	15.65
Gen. Elec. Credit 0.0 92	400	26⅝	27⅛	0	−0⅛	14.66
Gen. Elec. Credit 0.0 93	400	23⅛	23⅝	+0⅛	−0⅜	15.60
GMAC O/S Fin. 16½ 94	300	101	101½	0	−0⅜	15.73
GMAC O/S Fin. 16 88	150	101⅛	101⅝	−0⅛	+0⅛	15.60
Gulf Oil Fin. 0.0 92	300	25⅞	26⅜	0	0	15.05
Gulf States O/S 17¼ 88	60	104½	104⅞	0	+0⅛	19.28
Japan Airlines 15⅜ 88	50	101	101½	0	+0⅛	14.89
Japan Dev. Bk. 15½ 87	50	101⅝	102⅛	−0⅛	−0⅛	14.90
Nat. Bk. Canada 16½ 88	40	100⅝	101⅛	0	0	16.95
Nat. West 14⅝ 91	100	99	99½	0	+0¼	14.86
New Brunswick 17 88	80	107⅜	108⅛	−0⅛	+0⅞	14.92
New Brunswick 16⅝ 89	75	102⅝	103⅛	0	+0⅛	15.53
New & Lab. Hy. 17⅝ 89	75	104⅝	105⅛	0	+0⅝	16.03
Ohio Edison Fin 17½ 88	75	105	105½	−0⅛	−0⅛	16.06
OKG 15⅝ 97	50	98⅞	99⅜	−0⅛	+0½	15.98
Ontario Hyd. 16 91 (N)	200	103⅞	104⅛	0	+0⅜	16.11
Pac. Gas & El. 15⅝ 88	80	103¼	103⅞	−0⅛	0	14.83
J. C. Penney Gl. 0.0 94	350	19⅜	19⅞	−0⅜	−0⅛	16.10
Quebec Hydro 17⅛ 18	150	107½	108	−0⅛	0	15.67
Quebec Prov. 15⅛ 88	150	98⅞	99⅜	−0⅛	+0⅛	15.40
R.J. Rynlds. O/S 0.0 92	400	24⅞	25⅜	+0⅛	−1⅜	15.76
Saskatchewan 16⅜ 88	100	103⅜	103⅞	0	+0⅛	16.31
Saskatchewan 18 88	125	102½	102⅞	+0⅛	+0⅜	16.41
Statsforetag 15¾ 87	80	99¼	99¾	+0⅛	+0⅛	15.85
Sweden 14½ 88	150	95⅜	96⅛	−0⅜	+0⅛	16.48
Swed. Ex. Cred. 16⅞ 93	75	101½	102	−0⅛	+0⅛	16.10
Texas Eastern 15⅞ 88	75	101⅜	101⅞	+0⅛	+0⅛	15.41
Transcanada 16 89	100	100⅜	100⅞	−0⅛	+0½	15.80
Winnipeg 17 86	50	105⅝	106⅛	0	+0⅛	15.03
WMC Fin. 15½ 88	50	97⅞	98⅜	0	+0⅞	15.92
World Bank 16½ 86	130	103⅜	104⅛	−0⅜	+0⅜	15.12
World Bank 16½ 98	100	103⅜	104⅛	−0⅜	+0⅛	15.38
World Bank 15⅝ 88	250	99⅞	100⅜	0	+0⅜	15.20

Average price changes... On day −0⅛ on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 9½ 91	300	101⅞	102⅜	0	+1⅛	9.04
Australia 9⅜ 91	200	101⅞	102⅜	0	+1	9.03
Belgelectric 11 91	100	103⅝	104⅛	+0⅛	+1	10.34
Comp. Tel. Esp. 10½ 92	100	99	99⅜	0	−0⅜	10.64
Denmark 10 88	100	100⅜	101	−0⅛	+0⅛	8.79
Denmark 10⅛ 92	100	101	101⅜	−0⅜	+0⅜	8.64
EEC 10⅛ 93	100	102⅝	103⅛	−0⅛	+0⅜	8.69
EEC 9⅜ 94	200	101	101½	−0⅛	+0⅛	8.55
EIB 9⅜ 88	80	100⅛	100⅝	−0⅛	+0½	9.65
Inter-American 10⅛ 91	100	†104⅜	105⅜	+0⅛	+1⅜	9.42
Ireland 10⅛ 96	100	100⅜	101⅛	−0⅜	+0⅛	9.98
Mexico 11 88	100	100⅝	101⅛	−0⅛	+0⅛	10.76
Mt Bk. Dnmk 10⅞ 91	100	101⅜	102⅛	0	+0⅜	10.19
Nacnl Financiera 11 90	150	99⅛	99⅝	0	+0⅜	11.09
Nat. West. 9⅞ 92	100	102⅞	103⅜	−0⅛	+1⅛	9.34
New Zealand 9⅜ 88	200	102⅞	103⅜	+0⅛	+1⅛	9.12
OKB 10⅛ 91	150	102	102⅛	−0⅛	+0⅛	9.72
OKB 9⅜ 86	150	100⅛	101	+0½	+0⅜	8.55
Quebec 10⅛ 92	150	103	103⅝	0	+0⅜	9.59
Quebec Hydro 10⅛ 91	150	102⅜	103⅛	−0⅛	+0⅛	8.72
Tauernautobahn 9⅞ 94	50	101	101½	+0⅛	+0⅜	8.67
Venezuela 11⅛ 91	100	100⅛	101⅛	0	+0⅛	11.30
World Bank 10 91	250	103	103⅜	−0⅜	+0⅛	9.44

Average price changes... On day 0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Ansett Transport 7½ 92	50	101⅞	102⅜	−0⅛	+0⅛	7.70
Asian Dev. Bank 8 90	80	103½	103⅞	+0⅛	+0⅛	7.40
Australia 6¾ 93	100	102⅜	103	−0⅛	−0⅛	6.39
Belgelectric 7½ 91	80	100	100⅜	−0⅛	−0⅛	7.47
Bell Canada 7⅜ 93	100	105	105½	−0⅛	+0⅜	6.58
Bco de Autopistas 8 90	50	100	100⅜	0	+0⅛	7.97
Copog Denmark 8½ 92	25	102½	102⅞	0	0	7.98
Denmark 7⅜ 91	100	100	100⅜	−0⅛	+1	7.22
EIB 7⅜ 92	100	101	101⅜	−0⅜	+0⅛	7.08
Elec de France 7 92	100	101	101⅜	−0⅛	+0⅛	6.83
EMEL 8 92	44	100½	100⅞	0	−0⅜	7.80
First City Fin. 8⅛ 92	26	102	102⅜	0	+0⅜	7.93
Japan Air Lines 7⅜ 91	100	104⅛	104½	+0⅛	−0⅛	6.62
Manitoba 7 92	100	103⅜	104	0	0	6.46
National Power Co. 8 92	30	101⅞	102⅜	−0⅛	−0⅛	7.70
Nippon T and T. 6⅜ 97	100	102⅜	102⅝	0	+0⅛	6.26
OKB 7⅜ 92	100	102⅛	102½	−0⅛	−0½	7.40
Ost. Donaukraft 7 92	100	100⅞	101⅛	−0⅛	+0⅛	6.86
Ost. Postspar 7½ 92	100	101⅛	101⅝	0	+0½	7.30
Quebec 7⅜ 92	100	103½	103⅞	−0⅜	−0⅛	6.86
Saint-Etienne 8½ 91	20	†107	107½	0	+0⅛	7.41
Soc. Lux. de Cnt. 8⅜ 92	80	†104⅜	104⅞	+0⅛	0	7.37
TNT O/S Fin 8 91	50	104⅜	105	−0⅜	+0⅛	7.27
Transcanada Pipe 7 94	100	102⅜	102⅞	−0⅛	+0⅛	6.68
Unilever NV 7½ 93	100	107⅞	107½	0	+0⅜	6.57
World Bank 9 91	100	105½	105⅞	−0⅛	+0⅛	7.18

Average price changes... On day −0½ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅜ 91	15	†101⅜	102⅛	+1	+1½	7.97
Finland, Rep. of 8⅜ 87	15	†99⅝	100⅛	−0⅛	−0⅛	8.30
Int-Amer. Dev. 8⅞ 91	15	†101⅜	102⅛	0	+0⅛	8.61
Japan Airlines 7⅞ 87	9	98	98½	0	+0⅛	8.32
New Zealand 8⅜ 87	15	100⅛	101⅛	−0⅛	+0⅛	8.21

Average price changes On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can. Utilities 17 96 C$	60	†98⅜	99⅛	0	+0⅛	17.16
CIBC 16⅜ 89 C$	75	†96⅞	97⅜	−0⅛	+0⅞	16.44
Pancanadian 16½ 88 C$	55	†98⅜	99⅛	−1⅛	+0⅜	15.73
Quebec 17½ 87 C$	50	†102½	103⅛	−0⅜	0	15.55
Queb. Urban 16⅜ 86 C$	20	†100½	101	0	−0⅛	15.43
Tordom Cpn. 16½ 86 C$	25	†97⅜	98⅛	0	0	17.04
Transalta 17 89 C$	90	†100	100½	−0⅛	+0⅛	16.90
U. Bk. Nwy. 9½ 90 EUA	18	†92	93	−0⅛	−0⅛	10.96
Algemene Bk. 10¼ 86 Fl	60	100⅛	100⅝	−0⅛	−0⅛	10.20
Amfas Group 12⅛ 86 Fl	40	104⅛	104⅝	−0⅛	+0⅛	10.96
Amro Bank 12 86 Fl	75	105⅜	105⅞	−0⅛	+1	10.20
Amro Bank 12 86 Fl	60	105	105½	−0⅛	+0⅜	10.46
Pierson 10⅛ 88 Fl	50	100	100½	−0⅛	+0⅜	10.16
Rabobank 12 86 Fl	50	104⅜	105⅛	−0⅛	+0⅜	10.44
OKB 14 86 FFr	400	89⅞	90⅞	0	−0⅞	17.58
Solvay et C 14⅜ 86 FFr	200	90⅞	91⅜	+0⅛	−1⅛	18.08
Acona 14 86 £	20	94⅜	95½	0	−0⅛	15.81
Beneficial 14⅛ 90 £	20	86⅞	87⅜	0	+0⅜	17.12
BNP 13½ 91 £	15	90⅞	91⅞	0	+0⅛	15.32
CECA 13½ 88 £	20	94⅞	95⅜	−0⅛	+0⅛	14.71
Citicorp O/S 13⅜ 90 £	50	95⅜	96⅛	+0⅛	+0⅛	14.33
Fin. Ex. Cred. 13⅜ 86 £	15	96	96	−0⅛	0	15.33
Gen. Elec. Co. 12⅜ 88 £	50	93⅞	94⅜	+0⅛	+1	13.98
Hiram Walker 14⅛ 86 £	25	96⅞	97⅜	−0⅛	0	15.28
Privatbanken 14½ 88 £	12	91⅞	92⅞	−0⅛	+0⅛	16.67
Rood (Nd) NV 16⅛ 88 £	25	100⅜	101⅛	0	+0⅛	16.45
J. Rothschild 14⅛ 90 £	12	98⅛	99⅛	+0⅛	+0⅛	14.49
Royal Trustco 14 86 £	12	96⅛	97⅛	0	−0⅛	15.04
Swed. Ex. Cr. 13⅜ 86 £	20	96⅜	97⅛	−0⅛	+0⅛	14.93
Eurofima 10⅛ 87 LuxFr	500	96⅞	97⅞	−0⅛	+0⅛	11.19
EIB 9⅜ 88 LuxFr	600	92⅞	93⅞	0	+0⅛	11.36

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5⅜ 91	0⅛	99⅜	99½	29/4	17.06	17.17
Bk. of Tokyo 5⅜ 91 (D)	0⅛	98⅜	99	10/8	13⅜	13.42
Bk. Nova Scotia 5⅜ 93	0⅛	99⅜	99½	29/4	17.06	17.17
BFCE 5⅜ 88	0⅛	99⅜	99⅞	28/4	15.94	17.00
BFCE 5⅜ 87	0⅛	99⅞	100⅜	27/7	16⅛	16.27
Christiania Bank 5½ 91	†0⅛	99⅜	99⅞	5/5	15	15.12
Co-Ban Eurofin 5⅜ 91	0⅛	98⅞	99⅜	14/4	16.69	15.88
Credit Nat. 5⅜ 94	§0⅛	99	99½	9/6	14.69	14.80
Denmark, Kngdm. of 92	0⅛	98⅞	99	25/2	15.44	15.63
Den Norske Cred. 5⅜ 93	0⅛	97⅜	98⅛	4/6	13.56	13.84
Genfinance 5⅜ 92	0⅛	99⅜	100⅛	30/8	15½	15.52
GZB 5⅜ 92	†0⅛	98⅞	99⅛	8/8	14.94	15.07
Ind. Bank Japan 5⅜ 88	0⅛	99	99½	8/5	13.31	13.41
Lloyds Eurofin 5⅜ 93	§0⅛	99⅜	99⅞	29/4	17.13	17.22
LTCB Japan 5⅜ 88	0⅛	99⅜	99⅞	16/7	15.31	15.41
Midland Int. Fin. 5 91	0⅛	99⅜	99⅞	30/4	17.06	17.15
Nat. Bk. Canada 5⅜ 88	0⅛	99⅜	99⅞	24/8	15⅜	15.43
Nat. West. Fin. 5⅜ 91	§0⅛	99⅜	99⅞	15/7	15.19	15.28
Nippon Credit 5⅜ 90	0⅛	99⅜	99⅞	10/8	15.06	16.14
Nordic Int. Fin. 5½ 91	0⅛	98⅞	99	6/5	15⅜	15.82
OSshore Mining 5⅜ 91	0⅛	99⅜	99⅞	2/5	13	13.15
Pemex 5 91	0⅛	98	98½	8/4	17	17.66
PKbanken 5 91	0⅛	98⅜	99⅛	17/6	14⅜	14.52
Sanwa Int. Fin. 5⅜ 88	0⅛	†99⅜	99⅞	24/9	15.31	15.37
Scotland Int. 5⅜ 92	0⅛	98⅞	99⅜	23/9	16⅜	15.59
Sec. Pacific 5⅜ 91	0⅛	98⅜	99⅛	24/5	13⅜	13.38
Societe Generale 5⅜ 91	0⅛	†99	99⅜	22/7	15⅜	15.38
Societe Generale 5⅜ 95	0⅛	99⅛	99⅜	1/9	15.31	15.39
Standard Chart. 5⅜ 91	0⅛	98⅞	99	18/5	13.31	13.48
Sumitomo Fin. 5½ 88	0⅛	99⅞	100⅛	9/8	15	16.02
Sweden 5⅜ 89	0⅛	99	99½	26/8	15.31	15.43
Toronto Domin'n 5⅜ 92	0⅛	99⅞	100⅛	11/8	16⅜	16.40

Average price changes... On day −0⅛ on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5⅜ 96	7/81	933	89⅞	91	−2⅛	11.60
Bow Valley Inv. 8 95	4/81	23.12	97⅛	99½	+0⅛	78.80
Bridgestone Tire 5⅜ 96	3/82	470	93⅞	94⅞	+2⅛	0.03
Canon 6⅜ 95	1/81	829	86⅞	87⅞	−2	7.10
Daiwa Secs. 5½ 96	12/81	512.3	†81	83	−1⅛	−3.05
Fujitsu Fanuc 4½ 96	10/81	6770	88⅞	89⅞	+0⅛	24.26
Furukawa Elec. 5⅜ 96	7/81	300	90⅞	91⅞	+0⅛	−7.94
Hanson O/S Fin. 9⅜ 96	8/81	1.36	†88	89	0	−10.87
Hitachi Cable 5⅜ 96	2/82	515	88⅞	90⅛	−0⅛	5.80
Hitachi Cred. Cpn. 5 96	7/81	1773	78	78	−0⅛	11.29
Honda Motor 5⅜ 97	3/82	841	75	76⅞	−0⅛	4.78
Inchcape 8 95	2/81	4.56	†82⅛	84	0	23.34
Kawasaki 5⅜ 96	8/81	229	65⅞	67⅛	0	1.93
Marui 6 96	7/81	931	90⅞	92⅛	−0⅛	15.29
Minolta Camera 5 96	10/81	909	61⅞	63	−1⅛	15.51
Minorco 9⅜ 97	5/82	8.16	†86½	88	−0⅛	11.86
Murata 5⅜ 96	7/81	2190	56⅞	58⅛	−1⅛	28.48
NKK 6⅜ 96	7/81	188	76⅞	77⅞	0	−19.96
Nippon Chemi-C 5 91	10/81	918	†56	58	0	4.28
Nippon Electric 5⅜ 91	2/82	846	86⅞	88	−0⅛	7.92
Orient Finance 5⅜ 97	3/82	1567	86	87⅛	−0⅞	5.64
Sanyo Electric 5 96	10/81	652	69	70⅛	−2	9.53
Sumitomo Elec. 5⅜ 97	3/82	635	77½	79	−1⅛	−2.35
Sumitomo Met. 5⅜ 96	10/81	305	85⅜	86⅞	−1⅛	10.83
Swiss Bk. Cpn. 6⅜ 90	9/80	191	70	72	0	12.81
Konishiroku 6 96 DM	2/82	585	98⅛	99⅛	−0⅛	−1.97
Mitsubishi H. 5 89 DM	2/82	263	92	93	0	13.29

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Euroc buys stake in Bahama Cement

By Westerly Christner in Stockholm

EUROC, the Swedish building materials and industrial group, is buying a 25 per cent share interest in Bahama Cement Company, of Freeport, Grand Bahama — the island's only cement producer — for between SKr 30m and SKr 50m ($5.1m-8.5m), the Swedish group said yesterday.

The deal also provides Euroc with an option, good for seven years, to take over a further 26 per cent share stake in Bahama Cement. Last year the Swedish group bought another cement company, Lehigh Cement, of Hannibal, Missouri, and used it to establish Continental Cement in Fort Lauderdale, Florida.

Euroc controls 51 per cent of the stock in Continental, and the remaining share is held by other owners of Bahama Cement.

The deal just struck would additionally enable Continental to absorb Euroc's 25 per cent ownership of Bahama Cement.

If the option is taken up Euroc would control a 51 per cent interest in Continental, in turn owning 51 per cent of the Bahama company.

Bahama Cement has a yearly turnover of about SKr 200m ($34m) with a yearly cement production capacity of around 750,000 tonnes.

Last year Euroc surpassed its earnings forecast by lifting its pre-tax profit from SKr 105m in 1980 to SKr 171m. Consolidated sales rose by 8.6 per cent to just under SKr 4bn.

STEEL OPERATIONS PLUNGE INTO DEFICIT

Sharply higher losses at Salzgitter

BY JAMES BUCHAN IN BONN

SALZGITTER, the West German steel and manufacturing group, suffered a severe blow in the year ended September 1981 with losses climbing to DM 388m ($163m) from DM 85m the year before.

Although all the major German steel groups were hard-pressed last year, Salzgitter's losses on its steel operations were markedly heavy at DM 174m, against a small profit of DM 17m the year before.

Herr Ernst Pieper, the group's chief executive, dropped a strong hint that Salzgitter will be following other steelmakers in applying for considerable assistance from Bonn. This is to permit restructuring at Peine Salzgitter, the group's steel-making arm which has been left high and dry by the plans to merge the Ruhr steel groups Estel Hoesch and Krupp.

Although sales increased in the year by 7 per cent to DM 11.7bn, Herr Pieper gave a sombre account of the group's fortunes. Nevertheless, he saw some glimmers of hope for the current year.

Higher EEC prices for steel products helped the steel division record a tiny profit in January after 23 months of steady losses. Herr Pieper expects the steel division to come into balance in the third quarter of the current year.

Howaldtswerke Deutsche-Werft, the group's shipbuilding and repair subsidiary, should record a better—if still negative—result this year with the help of an important order from India and a large-scale rationalisation scheme that aims to cut 1,300 jobs in the course of the year.

The disposal of Salzgitter's shareholding in two loss-making enterprises, Isomonte in Brazil and Peiner Stehlbau in Berlin, as well as the sale of the profitable energy concern, Salzgitter Ferngas, to Ruhrgas should also improve the picture next year.

Herr Pieper was particularly bitter at the decision last month by Estel Hoesch and Krupp to go ahead with combining their steel operations without involving Salzgitter, as had at first been hoped. He said that Peine Salzgitter was obliged to react quickly to the prospect of a new concern with production of 11m tons and likely access to massive government aid.

The group's supervisory board is to meet in May to discuss a plan for significant capital investment in Peine Salzgitter to meet the threat posed by Ruhrstahl, as the Hoesch-Krupp fusion is to be known.

Wienerwald in liquidity talks with bankers

By John Wicks in Zurich

NEGOTIATIONS are nearing a conclusion on liquidity guarantees for the Swiss-owned restaurant and hotel group, Wienerwald. The company says that discussions have been in progress with German and Swiss banks since Thursday of last week.

The group is headed by Wienerwald Holding, company owned by Mr Friedrich Jahn, the Swiss restaurateur. Last week Mr Jahn disclosed that a total of DM 260m ($109m) was owed to 13 German and 11 Swiss banks. This debt some one-third of which is in the form of short-term credits, was built up as a result of rapid expansion in the U.S. and Germany.

The company stressed that Wienerwald was fully able to meet debt servicing and repayment commitments.

Linde sales up as orders slip

BY KEVIN DONE IN FRANKFURT

LINDE, the West German process plant, industrial gases and materials handling group, increased its turnover by 13.6 per cent worldwide last year to DM 3.131bn ($1.31bn) from DM 2.75bn in 1980, but suffered from a fall in new orders booked.

Worldwide new orders dropped marginally to DM 2.9bn from DM 2.96bn in 1980, but orders taken by the domestically consolidated group fell by 9.8 per cent to DM 2.2bn. On a domestic consolidation, pre-tax profits fell from DM 128.7m to DM 121.2m on sales ahead from DM 2.2bn to DM 2.48bn.

Linde does not provide accounts on an internationally consolidated basis and reveals no group profit figures, but the company is still incurring losses in some of the foreign companies acquired in recent years as part of its ambitious expansion.

Baker Material Handling Corporation, the U.S. fork lift truck manufacturer acquired in 1977, which now has sales of around $50m, remained in deficit last year, and Linde sees little chance of it operating profitably in 1982.

The group is also restraining capital expenditure worldwide as part of efforts at consolidation. Investment dropped last year by 11.6 per cent to DM 190m.

Turnover at Linde's process engineering and plant construction division advanced strongly last year to DM 784m, taking over as the group's biggest activity from materials handling and hydraulics.

Of the domestically consolidated group turnover last year of DM 2.48bn, process plant operations had sales last year of DM 784m (DM 479m in 1980), technical gases DM 503m (DM 466m), refrigeration DM 408m (DM 344m) and materials handling and hydraulics DM 682m (DM 775m).

Linde sees little chance of the recession in West German industry lifting this year, but is confident that it will achieve a modest increase in sales and improved profitability this year.

Order book up at Deutsche Babcock

By Our Bonn Staff

DEUTSCHE BABCOCK, the West German power station and mechanical engineering group, expects a respectable result for the current year after enjoying a surge in profits last year to DM 33m ($13.9m).

Herr Hans Ewaldsen, the group's chief executive, said that orders in hand at the end of February, five months into the current year, stood at DM 12.6bn, or 8 per cent up on the same period last year.

While the group's industrial plant business remains vulnerable to overseas risks and industrial investment by the Organisation of Petroleum Exporting Countries is expected sharply to decline this year, Herr Ewaldsen was confident of progress. Orders in hand already ensure full capacity use at least until the middle of 1983, and the group plans to expand its 33,000 workforce by about 5 per cent in the course of the year.

Last year's earnings showed a 30 per cent increase on the result for 1979-80, which was severely depressed by the need to make provisions against losses on a power station an a desalination plant order in Kuwait. The losses were largely attributable to management mistakes, Herr Ewaldsen said.

While the year saw an improvement in domestic demand for power generating business, Deutsche Babcock remains heavily dependent on overseas orders. New orders booked increased by 22 per cent last year to a value of DM 6.5bn, while the increase for foreign orders was 30 per cent. Sales were up 12 per cent to DM 5.6bn, 60 per cent originating from abroad.

The company expects to pay a dividend for the year of 8 per cent, against 6 per cent in 1979-1980.

Lafarge Coppee on target and increases payout

BY DAVID WHITE IN PARIS

LAFARGE COPPEE, the French cement group, has indicated that group profits for last year were between FFr 350m and FFr 370m, falling short of the previous year's FFr 377m ($61m).

However, the group, headed by French Manager of the Year, M Olivier Lecerf, it said the result compared favourably with 1980s, since the latter was swelled by FFr 52m of exceptional gains, which were not repeated last year.

Last year's results were the first to include the new bio-chemical and other interests acquired through the takeover of the Coppee concern of Belgium.

Group sales, including Coppee, are estimated at more than FFr 13bn, compared with FFr 9.1bn in 1980. This year's consolidated figure will be further boosted by the inclusion of General Portland of the U.S., which Lafarge bought last year for $320m.

The group figures are in line with Lafarge's earlier forecast that profits would be maintained despite a weak domestic cement market and losses in its troubled refractory products business.

The company is proposing to raise its dividend by 10 per cent from FFr 17.25 net to FFr 19, from parent company profits which rose from FFr 227m to FFr 261m.

Lafarge's share price, which has dropped considerably in recent weeks, recovered yesterday to close FFr 8 up at FFr 253.

M Olivier Lecerf, Lafarge's Manager of the Year

Vallourec back to profits

BY OUR PARIS STAFF

THE FRENCH steel pipe group Vallourec has announced a sharp recovery in its results for last year and a favourable order position despite the slackening of demand from the oil industry.

Parent company results swung back out of the red to show a net profit of FFr 90m ($14.5m), against a FFr 41m loss in 1980.

The company said that consolidated figures, which showed a loss of FFr 63m in 1980, were expected to confirm the improved trend.

Group sales for the year were 18 per cent higher at FFr 13.2bn. For the second half of the year the rise was 36 per cent, the company said, and the total tonnage delivered rose by almost 10 per cent.

For the current year, the difficulties of certain subsidiaries should have a smaller impact on results, while a new link-up between its contracting subsidiary Entrepose and Grands Travaux de Marseilles should begin to show its benefits.

The link-up, which is in the course of completion, will constitute one of the country's largest construction groups.

Property operations boost BII

By James Buxton in Rome

THE PROPERTY and financial holding company controlled by the Bonomi family, Beni Immobili Italia (BII), recorded a 31 per cent rise in net profits to L4.1bn last year and a 14 per cent rise in its dividend to L24 a share.

BII is the holding company for a network of about 100 subsidiaries, many of them grouped under the sub-holding Invest, which has an important presence in insurance. The turnover of the whole group was put at about L2,000bn ($1.5bn) last year, of which half was insurance premiums.

The profits of Invest fell in the year ending November 1981 to L7.9bn, from L9.5bn in the previous year.

BII owes the increase in group profits, which are still below the level they reached in 1979, to better results from its directly controlled property operations. The gradual relaxation of the curbs on new construction in Italy has enabled the group to launch a big residential development in Rome, as well as other projects.

Halfway through last year, BII's long standing chairman, the 70-year-old Sra Anna Bonomi retired and handed over to her son Carlo Bonomi. The company says it has introduced a new organisational structure since then.

Last year Invest was one of four private sector companies to buy the Government's stake in Montedison, the chemical company.

Bastogi finance problem

BY OUR ROME STAFF

BASTOGI, the Italian industrial and property group which made very heavy losses last year, has so far failed to find the new funds it said it needed following a major write-down of capital.

Following losses of L172.3bn ($132m), almost all incurred in 1981 the company was obliged to reduce its capital by almost two-thirds from L263.7bn to L92.3bn.

Yesterday shareholders in Milan ratified the writing down of Bastogi's capital but approved a subsequent increase of only L46bn, to L131.4bn. No details were published on how this new capital would be subscribed.

Bastogi's problems in raising adequate new finance are ascribed to the reluctance of its major shareholders, the biggest of which is the Immobiliare group of Sig Carlo Pesenti, to commit more funds to it.

Roussell-Uclaf raises dividend

BY OUR PARIS STAFF

ROUSSEL-UCLAF, the French pharmaceuticals subsidiary of the West German Hoechst group, reports consolidated net profits of FFr 136m ($22m) for last year, 3 per cent up on 1980, while sales rose by more than 23 per cent to FFr 6.54bn.

The company, which was originally slated for nationalisation but it is remaining under Hoechst control following a compromise agreement with the French Government in February, proposes raising its net dividend to FFr 11 a share from FFr 10.50.

It said that the group earnings figure was reduced by higher provisions. The same applied to parent company profit, which moved up to FFr 113m from FFr 98m.

Cash flow climbed by almost 27 per cent to FFr 247m at parent company level, and by 17 per cent to FFr 350m for the group.

Spending on research and development last year was 18 per cent up at FFr 335m, while investments increased by 24 per cent to FFr 278m.

Under the agreement reached with the West German partner, the French state is to increase its shareholding from around 20 per cent to just over a third, giving it a blocking minority.

Although Hoechst is to retain a majority shareholding, the French are to participate on an equal basis on the Roussel-Uclaf board.

Capital plan for Italy's savings banks

By Rupert Cornwell in Rome

SWEEPING proposals that would enable private and institutional shareholders to participate in the capital of Italy's important network of savings banks have been outlined by Dr Carlo Ciampi, the Governor of the central bank.

At a meeting of the EEC's Savings Banks Federation in Bologna, Dr Ciampi declared that such an innovation would be the most suitable way of achieving the required increase in the own resources of the banks, which currently are controlled by the state.

The scheme is likely to be the focal point of debate at next month's annual meeting of Italy's 87 savings banks. It is a natural follow up to the planned partial "privatisation" of the major commercial banks controlled by the Treasury Ministry and by IRI, the public sector conglomerate.

As Dr Ciampi pointed out, the disposal of such shares should present few problems, given the enduring popularity of bank stocks among investors. As in the case of the other banks, there appears no question of permitting outside shareholders to gain a majority stake in the savings banks.

In all, such credit institutes account for over a quarter of the country's total bank deposits. Their size ranges from the tiny to the very large, as represented by Cariplo, the savings bank of the Lombardy Provinces which is the largest of its kind in Europe, and the fifth largest bank in absolute terms within Italy.

According to Dr Ciampi, the ratio between own resources and total deposits at the savings banks had dropped currently to 4.4 per cent, compared with 8.9 per cent for the co-operative banks, their private sector opposite number. The level was "dangerously" low, he said.

The new shareholders, he said, might have the right to choose directors at the banks—although the state's prerogative of nominating their presidents would remain unchanged. This latter process can be subject to long delays, often for political reasons.

Cash crisis for Danish publisher

By Hilary Barnes in Copenhagen

BERLINGSKE, the publishing house which produces two of Denmark's leading daily newspapers, must raise DKr 160m ($19.7m) in new capital within the next few weeks or face closure, says Mr Kristian Mogensen, the Copenhagen lawyer who is trying to put together a rescue package for the group.

"This is a large sum and there is no point in hiding the fact that it is difficult to find. If it proves to be impossible, there will inevitably be a suspension of payments. The papers will close down and there will be no realistic basis for resuming publication."

Mr Mogensen was asked to raise the money after the management had failed in its own attempt to raise DKr 120m. The group has been losing money for the past six years and its net worth is "on the point of exhaustion."

Berlingske needs DKr 160m for investment in new technology and to meet management obligations under union agreements for reducing manning levels. One of these obligations is to pay personnel a total of DKr 40m in redundancy payments, mainly to printing workers.

Potential investors are admitted by Mr Mogensen to be reluctant to underwrite payments to the printing workers, who are held responsible for many of the group's troubles. But Mr Mogensen said there is no way the obligation to make redundancy payments can be avoided.

ICC chief steps down

The Paris-based International Chamber of Commerce (ICC) says its Secretary General Carl-Henrik Winqwist has resigned for personal reasons. Mr Winqwist, 49, was formerly administrative director of the Swedish Conservative Party. He joined the ICC as its chief executive in 1973.

Yen depreciation blamed for Canon profits fall

BY YOKO SHIBATA IN TOKYO

CANON, Japan's largest camera maker, has suffered a 28.5 per cent fall to Y17.4bn ($71m) in consolidated net profits for the year ended December. The setback was blamed on losses from the translation of foreign subsidiaries' results following the depreciation of the yen.

The company, which has diversified into office equipment such as copiers and small computers, had earlier reported a 6.9 per cent rise in parent company net profits to Y15.75m.

Operating profits of Canon's 39 consolidated subsidiaries and 24 affiliated companies fell to Y45.76bn from Y58.83bn. Parent company operating profits rose by 0.9 per cent to Y26bn. Group net earnings per share fell to Y10.1 from Y19.4 a year earlier.

Consolidated sales were Y470bn ($1.9bn) against Y417.6bn. Parent company sales were Y282bn, up 17 per cent

Group camera sales, representing 42.9 per cent of the total turnover, rose by 9.5 per cent. Sales of office machinery rose by 12.7 per cent to take a 48.5 per cent share, boosted by an 18 per cent increase in sales of plain paper copiers.

Sales of the optical divisions, mainly products for semiconductor production, rose by almost 30 per cent to an 8.6 per cent share of total turnover.

Canon's overseas sales advanced by 10 per cent to represent almost 70 per cent of the total, while domestic sales increased by 18.7 per cent.

Capital spending rose by 20 per cent in the year to Y54.5bn, with the emphasis on improving its ranges of cameras and copiers. The company issued $70m of convertible debentures in June, to help finance these capital outlays, but these incurred currency translation losses of Y5.5bn ($22m).

The yen's depreciation also trimmed Y37bn from net profits on exports, the company said.

Canon is forecasting that consolidated sales will rise by about 13 per cent this year to between Y530bn and Y535bn. The uncertain outlook for the world economy and foreign exchange rates precluded making any profits forecast.

Green Island Cement income rises by 16%

By Robert Cottrell in Hong Kong

GREEN ISLAND Cement, an associate of Mr Li Ka Shing's Cheung Kong group, reports profits after tax for 1981 of HK$93.7m, a 15.9 per cent increase over the HK$80.8m seen in 1980.

The current year is said to be a "difficult" one for volume and profit margins, but Mr Li predicts that for the longer term the planned cashflow from property redevelopment should adequately cover borrowings and establish a favourable competitive position.

A final dividend of 70 cents makes a maintained HK1.30 for the year. Earnings per share are stated at HK$2.41, against HK$2.08 in 1980.

Mr Li said first-half cement growth was not sustained in the final four months, though deliveries for the year still finished marginally ahead of 1980.

Permodalan chief to head Guthrie in board shuffle

BY WONG SULONG IN KUALA LUMPUR

MAJOR BOARD changes have been made at Guthrie Corporation, the UK incorporated but now Malaysian owned plantation-based group.

Tun Ismail Ali, head of Permodalan Nasional, the Malaysian Government investment agency which owns 97 per cent of Guthrie, will take over as chairman, from Mr Mark Gent, who will remain as a non-executive director.

Permodalan has also appointed three directors—Mr Green-Armytage, who takes over as managing director, Dato Jaffar Hussein and Mr N. D. Wood. Mr Ian Coates, joint-managing director is resigning from the board.

The changes mean that the Guthrie board will have 13 directors.

Permodalan said it intended to transfer Guthrie's rubber interests, estimated at 200,000 acres to Malaysia. Guthrie, however, would remain a UK incorporated company and would "continue to be international in character, expanding and developing its non-plantation activities."

The company wants to maintain its London operation as "a window on the world" for non-planation activities and to act as a conduit to channel technology to Malaysia. Permodalan won control of Guthrie in a spectacular dawn raid last September. The total take-over has cost the agency about £282m ($500m).

Until his recent appointment as executive chairman of Malayan Banking, Dato Jaffar was a senior partner in Price Waterhouse Malaysia, as was Mr Wood.

They were called in by the Malaysian Government to investigate the financial troubles of Bank Rakyat, the co-operative bank, in 1978.

Mr Green-Armytage had been a merchant banker in Malaysia and is a close adviser to Tun Ismail.

Pioneer Concrete strongly ahead

By Our Financial Staff

PIONEER CONCRETE Services, the Australian building products, mining and energy group, has reported a 63 per cent increase in interim net profits to A$32.3m (US$34.4m) from A$19.9m a year earlier.

Turnover for the six months ended December was ahead by 30 per cent to A$630.2m from A$483.7m.

The company, which has expanded rapidly in recent years with such acquisitions as Ampol Petroleum, will pay an unchanged interim dividend of 5 cents a share out of earnings per share of 14 cents against 12.2 cents.

Pioneer's tax bill rose to A$15.7m from A$12.9m and interest payments were A$28.02m against A$13.24m. The net profit was before an extraordinary loss of A$4.38m compared with an extraordinary gain of A$6.55m a year earlier.

Mr Tristan Antico, chairman, had forecast at last December's annual meeting full year profit growth of at least 25 per cent from fiscal 1980-81's A$46m.

The company is less optimistic about the second half prospects than it was a few months ago because of high interest rates and widespread industrial problems in Australia.

First half results were affected by strong competition and industrial unrest, which cut profit margins in the Australian construction sector.

This was offset by strong performances from the group's energy interests which include Ampol, a fuel retailer, and Kathleen Investments/Queensland Mines, a uranium mining group.

● Broken Hill Property, Australia's only raw steel maker, said its steel output in February was the lowest since May, 1980. Output from its three plants fell to 490,000 tonnes from 624,000 tonnes in January and 627,000 tonnes a year earlier.

HK insurer faces court proceedings

By Adrienne Margolis

COURT proceedings are under way in New York to establish jurisdiction over a $500,000 trust fund held for a Hong Kong company, Commodore General Insurance, with U.S. claims against the insurer believed substantially to exceed the fund.

Commodore General is in the hands of the official receiver in Hong Kong, following the issuing of a winding-up order at the end of last year. The Hong Kong police commercial crime bureau is conducting its own inquiries into the case. These moves are the latest developments in a series of worldwide reinsurance problems which have emerged since the mid-1970s.

The Hong Kong insurer and its London contact office, Commodore Reinsurance (Management), were until 1980 associated with Mr James Howey, an insurance consultant. Mr Howey disappeared from his Surrey home in December 1980 on the day he was due to appear in court, to face extradition proceedings initiated by the Australian authorities.

Singapore steel producer lower

By Our Financial Staff

NATIONAL IRON and Steel Mills, Singapore's only steel maker, has reported group net profits of S$23.3m (US$11m) for the year ended December, down sharply from S$35.4m a year earlier.

Turnover rose by 5.7 per cent to S$336.8m from S$318.4m a year earlier. The final dividend is being increased to 12 per cent from 8 per cent, bringing the total for the year to 25 per cent against 28 per cent a year earlier, reflecting a reduced interim payout.

Parent company net profit was S$20.3m, compared with S$32.1m.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Ltd. (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Anthony Wieler Unit Tst. Mgmt. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd.(a)(c)

Arkwright Management

Barclays Unicorn Ltd.(a)(c)(g)

Baring Brothers & Co. Ltd.

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia Gp. of Unit Trusts Ltd. (a)(c)(g)

The British Life Office Ltd (a)

Brown Shipley & Co. Ltd. (a)(g)

Buckmaster Management Co. Ltd.

Canada Life Unit Trust Mngrs. Ltd.

Capel (James) Mngt. Ltd.

Carr, Sebag Unit Trust Managers(a)

Charities Official Invest. Fund

Chieftain Trust Managers Ltd. (a)(g)

Confederation Funds Mgt. Ltd. (a)

Craigmount Unit Tst. Mgrs. Ltd.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)

Dartington Unit Trust Mngt. Ltd.

Discretionary Unit Fund Managers

Dunbar Unit Trust Managers Ltd. (a)

E. F. Winchester Fund Mngt. Ltd.

Equity & Law Un. Tr. M. (a) (b) (c)

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Robert Fraser Trust Mgt. Ltd.

Friends Prov. Trust Managers (a)(b)(c)

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers (a)(g)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a) (c) (g)

Hill Samuel Unit Tst. Mgrs.† (a)

Hexagon Services Ltd.

HK Unit Trust Managers Ltd.

Investment Bank of Ireland (a)

Investment Intelligence Ltd. (a) (g)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General (Unit Tst. Mngrs.) Ltd.

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.

M & G Group (y)(c)(z)

Mercury Fund Managers Ltd.

Manulife Management Ltd.

Mayflower Management Co. Ltd.

McAnally Fund Management Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt. (a)

Mutual Unit Trust Managers (a)(g)

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a)(g)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Perpetual Unit Trust Mngmt. (a)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a) (b) (c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (a) (g)

Rowan Unit Trust Mngt. (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Schroder Unit Trust Managers Ltd.

Scottish Amicable Inv. Mngrs. Ltd.

Scottish Equitable Fund Mgrs. Ltd.

Scottish Widows' Fund Management

SIMCO Money Funds

Stewart Unit Tst. Managers Ltd.(a)

Sun Alliance Fund Mangmt. Ltd.

Swiss Life Pen. Tst. Man. Co. Ltd.(a)(c)

Target Tst. Mngrs. Ltd. (a) (g)

Trades Union Unit Trust Managers

Transatlantic and Gen. Secs. Co. (y)

Tyndall Managers Ltd.(a)(b)(c)

TSB Unit Trusts (b) (c) (y)

Ulster Bank (a)

Unit Trust Account & Mgmt. Ltd.

NOTES

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Companies and Markets

CURRENCIES, MONEY and GOLD

Dollar firmer

Dollar rose sharply in late European trading, and continued to advance later in New York. There were few factors to influence the foreign exchange market, but the U.S. currency tended to gain support from the rise in the Federal funds overnight rate. Earlier in the day the dollar did not react favourably to the upward movement in Eurodollar interest rates.

Sterling drifted within a fairly narrow range for most of the day, but lost ground towards the London close as demand for the dollar increased.

The French franc improved within the European Monetary System following news from Paris that the authorities had tightened exchange controls. The French currency continued to weaken against the D-mark however, and the Belgian franc remained off its floor despite a weaker trend. There was no indication of intervention by central banks to keep the system under control.

DOLLAR — Trade-weighted index (Bank of England) 115.2 against 114.8 on Wednesday, and 108.9 six months ago. Three-month Treasury bills 12.66 per cent (14.16 per cent six months ago). Annual inflation rate 7.7 per cent (8.4 per cent previous month)—The dollar rose to DM 2.3915 from DM 2.3850 against the D-mark; to FFr 6.2275 from FFr 6.2150 against the French franc to SwFr 1.9030 from SwFr 1.8950 in terms of the Swiss franc; and to Y245 from Y243.25 against the Japanese yen.

STERLING—Trade-weighted index was unchanged throughout at 91.4, compared with 86.4 six months ago. Three-month interbank 13¼ per cent (15¼ per cent six months ago). Annual inflation 11 per cent (12 per cent previous month). — Sterling opened at $1.8085-1.8065, and touched a peak of $1.8060-1.8070, before trading at $1.8020-1.8040 for most of the day. It closed at $1.7985-1.7995, a fall of 95 points on the day. The pound fell to DM 4.3050 from DM 4.3150; to FFr 11.20 from FFr 11.2250; and to SwFr 3.4250 from SwFr 3.43, but rose to Y441 from Y440.50.

D-MARK — EMS member (strongest). Trade-weighted index was unchanged at 123.3 against 120.0 six months ago. Three-month interbank 9.525 per cent (12.30 per cent six months ago). Annual inflation 5.8 per cent (6.3 per cent previous month)—The D-mark showed mixed changes at the Frankfurt fixing, improving against the Dutch guilder, Swiss franc and Japanese yen, but losing ground to the dollar, sterling and the French franc. The French currency rose to DM 38.31 from DM 38.22 per 100 francs, after recently touching its maximum permitted level of DM 38.16 under EMS rules. The Belgian franc fell to DM 5.2980 from DM 5.3130 per 100 francs at the fixing, only slightly above its EMS floor of DM 5.2900. The dollar rose to DM 2.3933 from DM 2.3815, and sterling to DM 4.3160 from DM 4.3060 at the fixing.

EURODOLLAR interest rates were firmer, leading to an improvement of most currencies against the dollar in forward trading. Discounts against the Italian lira also narrowed sharply as Eurolira rates declined. Among the other weak European currencies the Belgian franc showed a lower trend in the forward market initially, but recovered later in the day, while Euro-Belgian franc rates were steady throughout the day. Euro-French franc rates also showed little change after the recent sharp rise, but the French currency improved slightly in forward trading. Other major currencies, including the D-mark, Swiss franc, yen and sterling were slightly firmer forward as Eurodollar rates increased.

THE POUND SPOT AND FORWARD

March 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7980-1.8070	1.7985-1.7995	0.15-0.25c dis	−1.33	0.70-0.80dis	−1.67
Canada	2.2030-2.2110	2.2035-2.2045	2.50-0.60c dis	−2.99	1.57-1.67dis	−2.94
Nethlnd.	4.76-4.79	4.76-4.77	2¾-2¼c pm	6.29	6¼-5¾ pm	5.04
Belgium	81.20-81.60	81.20-81.30	20-35c dis	−4.06	80-100 dis	−4.43
Denmark	14.65-14.70	14.65-14.66	1½-3ore dis	−1.99	8½-9¼ dis	−2.08
Ireland	1.2375-1.2425	1.2385-1.2395	0.59-0.72p dis	−6.34	1.79-1.97dis	−6.07
W. Ger.	4.29½-4.32½	4.30-4.31	1½-1¼pf pm	4.53	4⅞-4½ pm	4.30
Portugal	127.00-127.75	127.05-127.35	95-235c dis	−16.09	235-585dis	−12.85
Spain	189.50-190.50	189.60-189.80	55-80c dis	−4.27	175-210 dis	−4.06
Italy	2,359-2,368	2,359½-2,361½	28-35 lire dis	−16.01	69-77 dis	−12.37
Norway	10.90-10.96	10.91-10.92	1¼-2¼ore dis	−1.92	3¾-5 dis	−1.83
France	11.19-11.26	11.19½-11.20½	...-30½c dis	−30.27	39½-43½dis	−14.82
Sweden	10.56½-10.61½	10.57-10.58	1½-¾ore pm	1.35	3¼-2¾ pm	1.11
Japan	438-443	440½-441½	2.80-2.50y pm	7.21	7.75-7.45 pm	6.89
Austria	30.20-30.40	30.20-30.25	14½-11½gro pm	5.16	36-29½ pm	4.35
Switz.	3.41-3.44	3.42-3.43	2¾-2¼c pm	8.32	6¾-6¼ pm	7.59

Belgian rate is for convertible francs. Financial franc 91.90-92.60. Six-month forward dollar 1.40-1.50c dis, 12-month 2.40-2.55c dis.

THE DOLLAR SPOT AND FORWARD

March 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7980-1.8070	1.7985-1.7995	0.15-0.25c dis	−1.33	0.70-0.80dis	−1.67
Ireland†	1.4500-1.4565	1.4530-1.4545	0.65-0.55c pm	4.95	1.65-1.50 pm	4.33
Canada	1.2230-1.2260	1.2250-1.2255	0.16-0.19c dis	−1.71	0.40-0.44dis	−1.37
Nethlnd.	2.6430-2.6513	2.6485-2.6515	1.80-1.70c pm	7.93	4.55-4.45 pm	6.80
Belgium	45.00-45.23	45.15-45.17	10-20c dis	−3.99	32-42 dis	−3.28
Denmark	8.1350-8.1625	8.1350-8.1450	0.25-0.40ore dis	−0.48	1.00-1.30dis	−0.58
W. Ger.	2.3850-2.3950	2.3910-2.3920	1.22-1.17pf pm	6.00	3.55-3.50 pm	5.89
Portugal	70.50-70.95	70.65-70.85	40-120c dis	−13.57	105-295dis	−11.31
Spain	105.35-105.55	105.35-105.40	16-20c dis	−2.61	55-75 dis	−2.47
Italy	1,311-1,313	1,314-1,313	19-23 lire dis	−19.18	38-43 dis	−12.33
Norway	6.0550-6.0725	6.0550-6.0650	0.15-0.35ore dis	−0.49	0.10-0.30dis	−0.13
France	6.2200-6.2525	6.2250-6.2300	13-15c dis	−26.89	19-21dis	−12.80
Sweden	5.8645-5.8800	5.8650-5.8750	1.60-1.45ore pm	3.11	4.00-3.85 pm	2.67
Japan	243.70-245.90	244.95-245.05	1.80-1.65y pm	8.45	5.15-5.00 pm	8.28
Austria	16.78½-16.83	16.79½-16.80½	8.80-8.60gro pm	6.37	26-23 pm	5.84
Switz.	1.8985-1.9070	1.9025-1.9035	1.55-1.48c pm	9.55	4.40-4.33 pm	9.17

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Mar. 25	Bank of England Index	Morgan Guaranty Changes%
Sterling	91.4	−32.6
U.S. dollar	115.2	+7.5
Canadian dollar	88.3	−18.0
Austrian schilling	117.0	+26.2
Belgian franc	94.2	−2.2
Danish kroner	85.1	−14.0
Deutsche mark	123.3	+45.5
Swiss franc	154.6	+107.6
Guilder	114.4	+21.3
French franc	78.7	−16.3
Lira	54.3	−58.2
Yen	134.8	+28.8

Based on trade weighted changes from Washington agreement December, 1971. Bank of England index (base average 1975=100).

CURRENCY RATES

Mar. 24	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.620097	0.557546
U.S. $	12	1.12093	1.00976
Canadian $	15.04	1.37182	1.23269
Austria Sch.	6¼	18.3782	18.8553
Belgian F	13	50.2746	46.2002
Danish Kr.	11	9.06888	8.16511
D mark	7½	2.66954	2.39817
Guilder	8	2.95314	2.65207
French Fr.	9½	6.98226	6.26183
Lira	19	1463.96	1315.44
Yen	6½	272.503	243.914
Norwgn. Kr.	9	6.76381	6.10289
Spanish Pts.	8	117.588	126.790
Swedish Kr.	12	6.54747	5.89954
Swiss Fr.	6¼	2.11038	1.90358
Greek Dr'ch.	20½	—	62.2123

OTHER CURRENCIES

Mar. 25	£	$		£ Note Rates
Argentina Peso	20,042-20,062†	11,100-11,150†	Austria	30.13-30.45
Australia Dollar	1.7063-1.7085	0.9476-0.9480	Belgium	90½-01½
Brazil Cruzeiro	259.02-263.02	145.26-146.01	Denmark	14.63-14.77
Finland Markka	8.221-8.249	4.5920-4.5940	France	11.12-11.29
Greek Drachma	110.882-111.304	62.00-62.20	Germany	4.29¼-4.33¼
Hong Kong Dollar	10.46¾-10.47¼	5.8080-5.8130	Italy	2650-2380
Iran Rial	147.40*	81.70*	Japan	440-446
Kuwait Dinar (KD)	0.519-0.516	0.2886-0.2888	Netherlands	4.73-4.79
Luxembourg Fr.	81.22-81.30	45.16-45.17	Norway	10.88-10.99
Malaysia Dollar	4.2065-4.2115	2.3345-2.3676	Portugal	126-161
New Zealand Dlr.	2.3285-2.5515	1.2920-1.2950	Spain	185¼-195
Saudi Arab. Riyal	6.14-6.20	3.4190-3.4210	Sweden	10.56-10.66
Singapore Dollar	3.8270-3.8380	2.1250-2.1970	Switzerland	3.41¼-3.45¼
Sth. African Rand	1.8720-1.8735	1.0405-1.0416	United States	1.79½-1.81½
U.A.E. Dirham	6.59-6.65	3.6705-3.6725	Yugoslavia	93-104

† Now one rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU March 25	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.6963	45.2916	+1.33	+1.33	±1.5440
Danish Krone	8.18382	8.17378	−0.12	−0.12	±1.6428
German D-Mark	2.41815	2.39868	−0.81	−0.81	±1.1097
French Franc	6.19564	6.25721	+0.99	+0.99	±1.3743
Dutch Guilder	2.67296	2.65723	−0.59	−0.59	±1.5089
Irish Punt	0.686799	0.689765	+0.43	+0.43	±1.6689
Italian Lira	1305.13	1315.83	+0.82	+0.82	±4.1242

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Sterling/ECU rate for March 25 .... 0.556250

EXCHANGE CROSS RATES

Mar. 25	Pound St'rling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Franc
Pound Sterling	1	1.799	4.305	441.0	11.20	6.425	4.765	2351.	2.204	81.25
U.S. Dollar	0.556	1.	2.393	245.1	6.226	1.904	2.642	1312.	1.225	45.16
Deutschemark	0.232	0.418	1.	102.4	2.602	0.796	1.107	548.3	0.512	18.87
Japanese Yen 1,000	2.268	4.079	9.762	1000.	25.40	7.768	10.80	5355.	4.998	184.2
French Franc 10	0.893	1.606	3.844	393.8	10.	3.058	4.254	2108.	1.968	72.54
Swiss Franc	0.292	0.525	1.257	128.8	3.272	1.	1.391	689.2	0.644	23.72
Dutch Guilder	0.212	0.378	0.903	92.55	2.350	0.719	1.	495.4	0.463	17.05
Italian Lira 1,000	0.424	0.762	1.824	186.8	4.745	1.451	2.018	1000.	0.934	34.42
Canadian Dollar	0.454	0.816	1.953	200.1	5.082	1.554	2.162	1071.	1.	36.86
Belgian Franc 100	1.231	2.214	5.298	542.8	13.78	4.213	5.865	2905.	2.713	100.

FT LONDON INTERBANK FIXING (11.00 a.m. MARCH 25)

3 months U.S. dollars		6 months U.S. dollars	
bid 13 1/8	offer 13 1/4	bid 13 1/8	offer 13 1/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Mar. 25	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	13⅝-16⅞	14-14	16-17	4⅛-6⅛	1-1½	9-9⅛	65-75	18-99	21½-11	6⅝-6⅞
7 days' notice	13⅝-13⅞	14⅛-14¾	16-17	7¼-7⅛	7¾-8¼	9-9⅛	45-70	26-34	14-12	6⅛-7⅛
Month	13¾-13⅞	14 1/16-14 3/16	16⅛-16⅛	7 13/16-7 15/16	6⅝-5½	9⅛-9¼	38-43	27-32	16-18¼	6⅝-6¾
Three months	13 13/16-13 15/16	16-16¼	16⅛-16⅜	8 7/16-8 9/16	5 13/16-6 5/16	9⅛-9¼	27-30	24⅞-26⅝	17-18¼	6⅝-6¾
Six months	13 13/16-13 15/16	15-15¼	16¼-16⅝	8 11/16-8 13/16	6 7/16-6 9/16	9 1/16-9 3/16	22-26	23½-24½	16¾-17¾	6⅝-6¾
One Year	13 11/16-13 13/16	14⅞-15½	16⅝-16¾	8 13/16-9 3/16	6⅛-6⅝	9⅛-9¼	20-22	23¾-24	16¼-16¾	6 11/16-6 13/16

BFr (financial): short-term 10-11 per cent; seven days' notice 12½-13 per cent; one month 13½-13¾ per cent; three months 14½-14¾ per cent; six months 14½-14¾ per cent; one year 14½-14¾ per cent.

SDR linked deposits: one month 15⅝-16 per cent; three months 14¾-14½ per cent; six months 13½-13⅞ per cent; one year 13⅛-13½ per cent.

ECU linked deposits: one month 18¾-19¼ per cent; three months 15⅝-16 per cent; six months 14¾-14⅞ per cent; one year 13 13/16-13 15/16 per cent.

Asian $ (closing rates in Singapore): one month 14 13/16-14 15/16 per cent; three months 15-15¼ per cent; six months 15⅛-15¼ per cent; one year 14 15/16-15 1/16 per cent. Long-term Eurodollar two years 15⅛-15⅝ per cent; three years 15¼-15½ per cent; four years 15¼-15½ per cent; five years 15⅜-15⅝ per cent nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following rates were quoted for London dollar certificates of deposit: one month 14.60-14.70 per cent; three months 14.65-14.75 per cent; six months 14.75-14.85 per cent; one year 14.75-14.85 per cent.

MONEY MARKETS

Further shortage

London clearing bank base lending rate 13 per cent (since March 12)

UK interest rates showed a slightly firmer tendency yesterday. Early expectations reflected a small rise in U.S. interest rates and this level was maintained for most of the day. The Bank of England gave more help than the shortage projected in the morning but rates in the interbank market did not fall below 12 per cent and touched 14 per cent during the day. Discount houses were paying up to 13¼ per cent for secured call loans but managed to take balances later in the day down to 11 per cent.

Day to day credit was again in short supply and the authorities gave a forecast of a shortage of £550m. Factors affecting the market included bills maturing in official hands —£245m, bills for repurchase by the market —£217m and Exchequer transactions —£150m. The Bank gave assistance in the morning of £521m comprising purchases of £1m of local authority bills and £23m of eligible bank bills both in band 1 (up to 14 days) at 13⅛ per cent and in band 2 (15-33 days) £240m of eligible bank bills at 13 per cent. In band 3 (34-63 days) it bought £27m of local authority bills and £81m of eligible bank bills all at 12⅞ per cent and in band 4 (64-91 days) £24m of Treasury bills, £10m of local authority bills and £115m of eligible bank bills at 12¾ per cent.

Further assistance in the afternoon came to £101m, making a grand total of £622m. The afternoon help comprised purchases of £9m of eligible bank bills in band 1 at 13⅛ per cent and in band 3 £23m of local authority bills and £19m of eligible bank bills at 12⅞ per cent. In band 4 it bought £31m of Treasury bills, £2m of local authority bills and £17m of eligible bank bills.

In Amsterdam the Dutch Finance Ministry accepted bids of Fl 987.3m at yesterday's auction for 2½ year 9½ per cent Treasury bills.

GOLD

Weaker trend

Gold fell $5 to $326½-327½ in the London bullion market yesterday, finishing at its lowest level of the day. It opened at $333-333½, the peak of the day, and was fixed at $328 in the morning, and $327.75 in the afternoon.

In Paris the 12½ kilo gold bar was fixed at FFr 67,950 per kilo ($338.45 per ounce) in the afternoon, compared with FFr 67,950 ($339.04) in the morning, and FFr 68,750 ($338.26) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 25,360 per kilo ($329.94 per ounce) against DM 25,590 ($335.01) and closed at $328-329, compared with $331-332½.

In Luxembourg the 12½ kilo bar was fixed at the equivalent of $329.50 per ounce, compared with $333.25.

In Zurich gold finished at $326-329, against $331-334.

	Mar. 25		Mar. 24	
Gold Bullion (fine ounce)				
Close	$326½-327½	(£181½-182)	$331½-332½	[illegible]
Opening	$332-333	[illegible]	[illegible]	[illegible]
Morning fixing	$328	[illegible]	[illegible]	[illegible]
Afternoon fixing	$327.75	(£181.710)	$331.75	[illegible]
Gold Coins				
Krugerrand	$336-338¾	(£186¾-187¼)	$341½-349¼	(£186¾-189¼)
1/2 Krugerrand	$173-174	(£95¼-96¾)	$176-177	(£97¼-97¾)
1/4 Krugerrand	$88-89	(£49-49½)	$89½-90½	(£89½-90½)
1/10 Krugerrand	$36-37	(£20-20½)	$36½-37½	(£20¼-20¾)
Mapleleaf	$337-338	(£187¼-187¾)	$342½-343½	(£189¼-189¾)
New Sovereigns	$79¾-80¼	(£44¼-44¾)	$81-81½	(£44¾-45)
King Sovereigns	$97-98	(£53¾-54¼)	$98-99	(£54-54½)
Victoria Sovs.	$97-98	(£53¾-54¼)	$98-99	(£54-54½)
French 20s	$79-89	(£44-49½)	$80-90	(£44½-49¾)
50 pesos Mexico	$403-406½	(£224-225¾)	$409-411¼	(£225-227¼)
100 Cor. Austria	$316½-318	(£176-177¼)	$321-323¾	(£177½-179)
$20 Eagles	$449-454	(£249¾-252¼)	$442-454	(£248¾-251)

MONEY RATES

NEW YORK

Prime rate	16½
Fed. funds (lunch-time)	13⅞-14⅛
Treasury bills (13-week)	12.66
Treasury bills (26-week)	12.71

GERMANY

Special Lombard	9.50
Overnight rate	9.525
One month	9.625
Three months	9.525
Six months	9.20

FRANCE

Intervention rate	17.0
Overnight rate	18.0
One month	17.4375
Three months	15.6875
Six months	16.375

JAPAN

Discount rate	6.50
Call (unconditional)	6.59375
Bill discount (three-month)	6.43125

LONDON MONEY RATES

Mar. 25 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	12-14	13⅝-13¾	—	—	13¼-13⅛	11-13⅝	—	—	—
2 days notice	—	—	13¾-16⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	16¾-13⅞	16¾	—	—	—	—	—	—	—
One month	13¾-13⅞	13½-13½	13¾	—	—	13⅞-14	13-13¼	—	—	—
Two months	13½-16½	16½-13¾	—	14⅝-14	15¾	16⅞-14	13	13⅛	13⅛-13½	16½
Three months	13½-13⅝	13⅛-13⅝	16⅝	14⅛-16¾	13½	16⅞-14	12¾	12½	12½-12½	13½
Six months	16⅝-16¼	16½-16⅝	13½	14-13⅝	16⅝	16⅞-14	12⅝-12½	12½-12½	12½-12½	13½
Nine months	13⅛-13¼	13½-16½	—	16¼-13⅛	13⅝	—	—	—	12½-12½	13
One year	16⅛-16¼	13½-13½	13⅝	13⅝-13⅝	16⅝	—	—	—	—	—
Two years	—	—	16¾	15⅝-15⅝	16⅝	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 13⅞ per cent; four years 14 per cent; five years 14 per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅝-12 11/16 per cent; four months trade bills 13¾ per cent.

Approximate selling rates for one month Treasury bills 12 29/32-13 per cent; two months 12 25/32-12⅞ per cent; three months 12 11/32-12½ per cent. Approximate selling rate for one month bank bills 13 1/16 per cent; two months 12⅞ per cent; and three months 12½ per cent; one month trade bills 13⅞ per cent; two months 13 5/16 per cent; three months 13½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 15 per cent from March 1 1982. Clearing Bank Deposit Rates for sums at seven days' notice 10-10¼ per cent. Clearing Bank Rates for lending 13 per cent. Treasury Bills: Average tender rates of discount 12.4831 per cent.

Certificates of Tax Deposits (Series 3) 13½ per cent from March 8. Deposits withdrawn for cash 11 per cent.

JAPANESE TECHNOLOGY

Major push in ceramic engineering

By Richard C. Hanson in Tokyo

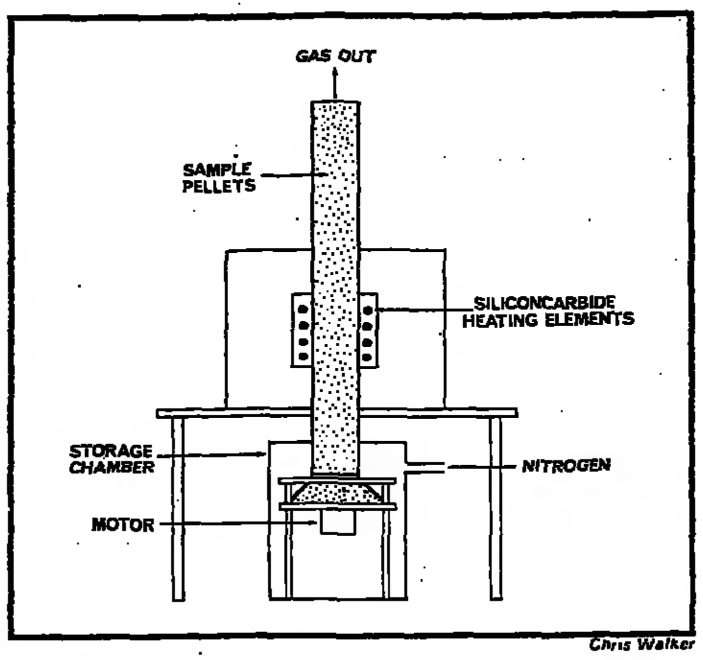
JAPAN'S TALENT for moving into new areas of high technology is being tested again in a major push to keep pace with the West in the still embryonic, though potentially vital, field of high performance ceramics.

These man-made materials display heat, wear and corrosion resistant qualities which could before long revolutionise such things as the fuel efficiency of the internal combustion engine. Made from abundantly available materials—chiefly the elements silicon, aluminium, oxygen and nitrogen—ceramics may also lessen industrial dependence upon rare and strategic metals now in common use. These new "ceramic alloys" are now becoming known as sialons.

To organise the effort, the Ministry of International Trade and Industry (MITI), through its Ageocy of Industrial Science and Technology (AIST) is relying on a hybrid of the same formula of government-private industry co-operation which paid off handsomely in projects to develop main frame computers and very large scale integrated circuits (VLSI) in the 1970s.

MITI's first important step was a subsidised project launched in 1978 to develop a highly efficient gas turbine engine, using ceramic parts, under its so-called "Moonlight Project" to study energy conservation. Last year, its second more far reaching programme, involving 15 private companies (as well as government labs), began basic research into ceramics to determine just how bright the non-metal's future may be.

The gas turbine engine project aims at producing by 1984 a gas turbine technology which could save fuel for the electric power industry. With a proposed budget of about Y21bn (about £50m), a group of heavy industrial and specialised ceramics companies are attempting to replace metal parts with high temperature resistant ceramic turbine blades and combustors.



Chris Walker

Shaft kiln for making sialon power from clay and coal

Courtesy the Chemical Industry 1982

The second project is to stretch over 10 years and will cost the Government between Y10bn and Y15bn. Known as the Engineering Research Association for High Performance Ceramics, the effort is one part of the drive to advance Japanese know-how in new materials.

The idea is to assign various tasks to individual companies, along with a rather stingy budget. MITI, through its Agency of Industrial Science and Technology (AIST), will hold the patents on whatever new technology emerges. The 15 companies involved, ideally, will all share in the fruits.

The MITI project is not specifically aimed at producing a ceramic internal combustion engine. The types of research being undertaken are vital links in making an engine. But the amount of official aid being allotted to the project (Y397m in the first year, rising to Y642m this year) is tiny considering what the (well guarded) actual development costs may be. By way of comparison, the U.S. Government programme aimed specifically at producing a ceramic engine involve subsidies several times as large as Japan's.

What this means is that the companies themselves are footing the bill for most of the development costs. Significantly, the willingness of a fairly large number of companies in Japan to do so has led to an intense hotting up of competition. One suspects that the result could be a considerable shortening of the length of time needed before significant commercial breakthroughs are made.

"A year ago, people thought the ceramic engine would take ten years to develop. Now they think or four or five years," comments a senior executive of Asahi Glass Company, Japan's largest glass maker. Asahi considers itself to be the largest producer of engineering ceramics for use by industry.

Asahi says that it too is working quietly on developing an engine, and that the test results on sample parts being offered to various motor companies, for example, so far confirm the reliability and cost performance of high performance ceramics. Asahi expects its sales of such products (a mere Y200m last year) to triple each year from now on.

Asahi's long 65-year history of work with glass and such ceramic products as furnace refractories (the refractories division was changed to the Ceramics Division in 1976) has naturally made it a leader in the field. Two years ago it achieved a breakthrough in the technology of sintering high performance ceramics under ordinary pressure conditions. It has also developed ceramic materials which demonstrate remarkable properties of strength, and a high degree of resistance to thermal expansion.

Asahi, however, is far from being alone in the field. Toshiba Corporation, and its highly respected subsidiary, Toshiba Ceramics, have developed a silicon nitride powder of extremely high purity, as well as what may be the most "bendable" high-performance ceramic material in the world.

Meanwhile, the Nagoya based NGK Insulator is advancing in high performance ceramics, having produced what is described as a honey-combed shaped cordylite ceramic catalyst for emission control in car exhaust systems. NGK Spark Plug, Japan's top spark plug maker, has built an experimental 50 cc ceramic gasoline engine.

Kyoto Ceramics, which built a reputation as the world's leading supplier of ceramic packages for integrated circuits, is also vying for position in high performance ceramics. Late last year, it displayed, for television cameras, a crude three-cylinder diesel ceramic engine. The engine, developed with MITI's help, was fitted in an Isuzu motor car (but did not heat up during the test to the very high temperature at which ceramic parts make their contribution to fuel economy).

Kyoto Ceramics appears especially keen to exploit the potentially huge market for very high performance

> The amount of official aid being allotted to the project is tiny considering what the (well guarded) actual development costs may be. . . . The companies themselves are footing the bill for most of the costs.

ceramics considering the slack demand (and poor profit performance) seen over the past two years for its mainstay IC packages. It believes that it now has suitable materials for a ceramic engine. The problem, and one faced by all of the specialised ceramics producers, is to come up with a suitable engine design.

MITI expects that its project should provide the technical answers as to the viability of such engines by the mid-1980s.

This document includes particulars given in compliance with the regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Attwoods and the Offer by Attwoods to acquire the whole of the issued share capital of MEL. The Directors of Attwoods have taken all reasonable care to ensure that the facts herein are true and accurate in all respects and that there are no material facts the omission of which would make misleading any statements herein whether of fact or of opinion. All the Directors of Attwoods accept responsibility accordingly.

Application has been made to the Council of The Stock Exchange for the relisting with effect from 1st April, 1982, of the existing issued Ordinary shares of 25p each of Attwoods and the admission to the Official List of the Ordinary shares of 25p each of Attwoods to be issued pursuant to the Offer. The Offer is now conditional only upon the granting by the Council of The Stock Exchange of this application. This document is issued in connection with this application and does not constitute an invitation to any person to subscribe for or to purchase any share or loan capital of Attwoods.

ATTWOODS PLC

(Registered in England No. 356968)

SHARE CAPITAL

The following table sets out the authorised and issued share capital of Attwoods assuming full acceptance of the Offer.

Authorised		*Issued and fully paid*
£1,875,000	6,341,674 Ordinary shares of 25p each	£1,585,418

At 25th March, 1982, acceptances had been received in respect of 1,278,412 Ordinary shares in MEL (99.5 per cent.). It is intended to apply the provisions of section 209 of the Companies Act 1948, in respect of the remainder.

No material issue of Attwoods shares (other than to shareholders pro rata to their existing holdings) will be made within one year of this document and no issue will be made which would effectively alter the control of Attwoods without (in each case) the prior approval of the members of Attwoods in general meeting.

DIRECTORS AND ADVISERS

Directors:
David Allen Wickins — Expedier House, Farnham, Surrey GU9 7PY.
John Herbert Feltham — Expedier House, Farnham, Surrey GU9 7PY.
Noel Chavasse — Penn Road, Inner Ring Road, Wolverhampton WV2 4HD.
Reginald Arthur Smith — Expedier House, Farnham, Surrey GU9 7PY.
Michael Kenneth Foreman — Stockley Road, West Drayton, Middlesex UB7 9ND.
James Lane — 29-35 Lordship Lane, London SE22 8ER.

Secretary and registered office:
Alan Pedder, F.C.C.A. — Penn Road, Inner Ring Road, Wolverhampton WV2 4HD.

Financial Advisers:
Robert Fleming & Co. Limited — 8 Crosby Square, London EC3A 6AN.

Bankers:
Barclays Bank PLC — P.O. Box 5, Queen Square, Wolverhampton WV1 1DS.
National Westminster Bank PLC — 8 Market Square, Westerham, Kent TN16 1AP and 39 The Borough, Farnham, Surrey GU9 7NW.

Stockbrokers:
Anderson & Co. — 62 London Wall, London EC2R 7DQ.

Solicitors to Attwoods:
Goulden — 118 Chancery Lane, London WC2A 1JJ.

Solicitors to Robert Fleming:
Linklaters & Paines — Barrington House, 59/67 Gresham Street, London EC2V 7JA.

Auditors of Attwoods and joint reporting accountants:
Binder Hamlyn, *Chartered Accountants* — 8 St. Bride Street, London EC4A 4DA.

Auditors of MEL and joint reporting accountants:
West, Wake, Price & Co., *Chartered Accountants* — 6 Broad Street Place, London EC2M 7JT.

Registrars:
Fenchurch Registrars Limited — St. Mary Axe House, 56-60 St. Mary Axe, London EC3A 7HY.

INDEBTEDNESS

As at the close of business on 12th March, 1982 the Enlarged Attwoods Group had outstanding borrowings, indebtedness and cash balances as set out below:—

	£000
Cash and bank balances	233
Short term deposits	261
Bank indebtedness and other short term borrowings (secured)	(1,748)
Other indebtedness	(722)
	(1,976)

Other indebtedness includes hire purchase commitment liabilities and rights of recourse under leasing arrangements for plant.

Save as disclosed herein and apart from inter-company indebtedness and guarantees, the Enlarged Attwoods Group had outstanding at 12th March, 1982 no loan capital (including term loans) issued, or created but unissued or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills), acceptance credits, mortgages, charges, hire purchase commitments, or guarantees or other material contingent liabilities.

DEFINITIONS

In this document, except where the context requires otherwise, the following words have the following meanings:—

Attwoods	Attwoods PLC.
MEL	Maybank Enterprises Limited.
MEH	Maybank Enterprises (Holdings) Limited, a wholly owned subsidiary of MEL.
Robert Fleming	Robert Fleming & Co. Limited.
BCA Group	The British Car Auction Group PLC.
The Drinkwater Group	W. W. Drinkwater Limited, a wholly owned subsidiary of MEL, and its subsidiary companies.
The Offer	the Offer dated 2nd March, 1982 by Robert Fleming on behalf of Attwoods to acquire the share capital of MEL.
The Cash Offer	the Offer dated 2nd March, 1982 by Robert Fleming to purchase Attwoods Consideration Shares.
Attwoods Consideration Shares	the Ordinary shares of 25p each in Attwoods issued as fully paid pursuant to the Offer.
Enlarged Attwoods Group	Attwoods and MEL and their respective subsidiaries.

LISTING

At the request of the Board, and in accordance with the rules of The Stock Exchange, the Council of The Stock Exchange suspended the listing of the Ordinary shares of Attwoods on 27th November, 1981, when it was announced that terms had been agreed and heads of agreement had been signed for the proposed purchase by Attwoods of MEL. At the close of business on 26th November, 1981, the last dealing day prior to the suspension, the middle market quotation of the Ordinary shares, as derived from The Stock Exchange Daily Official List, was 89p.

PLACING OF ATTWOODS CONSIDERATION SHARES

Pursuant to the Cash Offer, Robert Fleming acquired 1,695,837 Attwoods Consideration Shares at a price of 78.78p per share. BCA Group purchased 772,248 Attwoods Consideration Shares from Robert Fleming at 78.78p per share and BCA Group and its wholly owned subsidiary Attwood Securities Limited ("Attwood Securities") now hold 1,019,586 and 1,200,000 Ordinary shares in Attwoods, respectively (35 per cent. in aggregate of the issued share capital). The balance of such shares (after having made available 238,600 shares to certain Directors and employees of the Enlarged Attwoods Group at 78.78p per share) was subsequently placed through the market, mainly with institutions, in conjunction with Anderson & Co.

HISTORY OF ATTWOODS

Attwoods was incorporated in England in September, 1939 under the Companies Act, 1929. In January 1965 it obtained a listing for its shares on The Stock Exchange. Upon listing, some 67 per cent. of its issued Share Capital was held by Attwood Securities, a private company. Attwoods' business was that of the sale of private and commercial vehicles, vehicle maintenance and repairs and the sale of spare parts.

As a result of the acquisition on 27th November, 1980 by BCA Group of the entire issued share capital of Attwood Securities and the subsequent offer by Robert Fleming on behalf of BCA Group for the whole of the issued share capital of Attwoods not already owned by Attwood Securities, BCA Group came to hold, directly or indirectly, approximately 58 per cent. of the issued share capital of Attwoods. Subsequently its holding increased to some 69 per cent. of the issued share capital of Attwoods.

After BCA Group's acquisition of its interest in Attwoods and its assumption of management control, it was found that the Vauxhall dealerships at Wolverhampton and Walsall were incurring substantial losses. These losses are reflected in the consolidated profit and loss account of Attwoods for the 18 month period to 31st July, 1981. These dealerships have now been closed down and Attwoods sold properties, which were surplus to its requirements, for £700,000.

HISTORY OF MEL

MEL was incorporated in September 1960 under the name of Maybank Securities Limited as an investment holding and finance company. It was controlled by the late Jimmy Maybank, who died in May 1981, and his brother John Maybank.

In 1964 49.9 per cent. of the issued share capital of J. & J. Maybank Limited ("J. & J. Maybank") was sold to Reed International Limited which acquired the balance in 1976. Jimmy Maybank continued as chief executive and chairman of J. & J. Maybank until 1979 when he retired, and then concentrated on MEL with a view to making it an industrial holding company.

In September 1980 the MEL group consisted of:—

	Per cent. Interest
*Burgess Maybank Limited ("Burgess Maybank")	51.0
MPI Limited ("MPI")	97.4
Consolidated Paper Converters Limited ("CPC")	100.0
Maybank Insulation Limited ("MIL")	95.0

*Subsequently sold in November 1981.

On 1st May, 1981 MEH acquired the whole of the issued share capital of W. W. Drinkwater Limited ("W. W. Drinkwater") whose principal operating subsidiary was Drinkwater Sabey Limited. As a result of this transaction, Mr. M. K. Foreman became the holder of 16.67 per cent. of the issued share capital of MEH.

W. W. Drinkwater was incorporated in March, 1977 to acquire the business assets of the Drinkwater Group at that time. The name of W. W. Drinkwater has been associated with the business of aggregate extraction and waste disposal for more than 50 years. In June, 1978 W. W. Drinkwater acquired for cash (financed by bank borrowings) the whole of the issued share capital of H. Sabey & Co. Limited ("H. Sabey"), another company with a long established history in the business of aggregate extraction and waste disposal. In October 1978, the trading activities of W. W. Drinkwater were merged into H. Sabey and that company changed its name to Drinkwater Sabey Limited.

On 25th March, 1982 MEL acquired the 16.67 per cent. holding of Mr. Foreman in MEH for 257,575 shares in MEL.

The turnover and profit/(loss) before taxation of MEL and its present subsidiaries excluding the Drinkwater Group for the periods referred to below were as follows:—

Years ended 30th September	1977 £000	1978 £000	1979 £000	1980 £000	1981 £000
(i) *Turnover*					
Paper converting	178	88	—	382	1,350
Domestic and commercial insulation	—	—	—	173	1,195
Leasing	—	—	—	13	331
Commodity trading (note)	—	4,314	1,531	1,523	63
	178	4,402	1,531	2,091	2,939
(ii) *Profit/(loss) before taxation*					
Paper converting	(146)	(28)	—	(104)	(120)
Domestic and commercial insulation	—	—	(56)	(169)	(809)
Leasing	—	—	—	(16)	(84)
Commodity trading	—	(3)	2	(2)	—
Investment income and interest received	429	271	274	373	173
	283	240	220	82	(840)

Note: No commodity trading took place after July 1981 and the Directors do not intend to trade in commodities in the foreseeable future.

The 1981 results of MEL show substantial losses arising mainly from the domestic and commercial insulation activities. These were largely attributable to the costs of developing and marketing a new insulation product which only came into full production in the summer of 1981.

Action has been taken by the Board of MEL to rationalise and reorganise the insulation contracting business and to return it to profitability. The paper converting business is also expected to return to profitability.

In addition an extraordinary loss of £639,000 was incurred as a result of MEL's disposal of its 51 per cent. subsidiary Burgess Maybank which was involved in property development.

The turnover and profit before taxation of the Drinkwater Group for the periods referred to below were as follows:—

	12 months to 30th June, 1977 £000	12 months to 26th June, 1978 £000	16 months to 31st October, 1979 £000	12 months to 31st October, 1980 £000	11 months to 30th September, 1981 £000
(i) Turnover—sand and gravel extraction and waste disposal	1,320	2,903	5,650	4,935	4,482
(ii) Profit/(loss) before taxation	(42)	214	787	454	458

Note—The turnover and results for 1977 relate only to H. Sabey.

THE ENLARGED ATTWOODS GROUP

Attwoods now retains a Mercedes-Benz dealership in Wolverhampton which it operates through its wholly owned subsidiary, Carols Motors Limited. The dealership trades profitably and the Board of Attwoods has stated that it is confident it will continue to prosper.

The business of MEL comprises the following activities:—

(i) *The Drinkwater Group*

The business of the Drinkwater Group can be divided into three main activities:—

(a) *Sand and gravel extraction.*
This involves the extraction of sand and gravel deposits and subsequent sale direct to customers who, in the main, collect the materials in their own vehicles.

(b) *Landfilling.*
This involves the filling in of used quarries with various waste materials brought to the site either by the Drinkwater Group's own waste disposal vehicles or by third parties. The quarries used are either ones which have been excavated by the Group or upon which a royalty is paid to the freeholder.

(c) *Waste disposal services.*
This involves the removal of industrial and commercial waste from customers' premises and subsequent disposal either into the Group's own landfill sites or into sites belonging to third parties.

The Drinkwater Group operates mainly in the Greater London area and the South East.

(ii) *MPI*
In July, 1980 MEL acquired 97.4 per cent. of the issued share capital of MPI, the remaining 2.6 per cent. being owned by the managing director Mr. Bernard Smith. The company is a contractor in the installation of cavity wall and loft insulation and is based in Derbyshire.

(iii) *CPC*
In 1976 MEL acquired a 50 per cent. interest in CPC, a company engaged in the cutting, rewinding and conversion of waste, substandard and damaged newsprint both on its own account and for third parties. In July, 1980 the remaining 50 per cent. was acquired. CPC is located near Maidstone in Kent.

(iv) *MIL*
This company which began its present business in 1980 produces a cellulose loft insulating material called Warmcel from a factory in South East London.

(v) *MEL*
MEL has a leasing division which had a portfolio of assets leased to third parties with a book value of £839,000 at 30th September, 1981. It is the intention of the Directors to cease this activity and dispose of the portfolio.

TERMS OF THE ACQUISITION OF MEL

Pursuant to the Offer Attwoods has acquired or will acquire pursuant to section 209 of the Companies Act, 1948 the whole of the issued share capital of MEL on the basis of 33 Attwoods Consideration Shares for every 10 shares of £1 each in MEL.

The shares of MEL were acquired by Attwoods free from all liens, charges and encumbrances and with all rights attaching thereto including all dividends hereafter declared or paid thereon. The Attwoods Consideration Shares issued pursuant to the Offer rank *pari passu* in all respects with the existing Ordinary shares of Attwoods.

REASONS FOR THE ACQUISITION OF MEL

The Chairman's statement accompanying the 1981 Annual Report and Accounts of Attwoods set out the steps that the Board had taken to restore the financial health of Attwoods and the future policy that it intended to pursue. In September 1981 Attwoods completed the sale, for £480,000, of its property in Raglan Street, Wolverhampton. In December 1981 the Vauxhall dealership, which was moved from Raglan Street to Finchfield, Wolverhampton, was closed. The disposal of the stocks of motor vehicles and spare parts is almost complete and negotiations for the sale of the property are in progress. It was also stated that the Board was looking to make acquisitions in service industries.

The Board is confident that the purchase of MEL provides a favourable opportunity to pursue its policy of expansion and that the existing business together with further suitable acquisitions as and when they arise, will ensure that there are considerable future prospects for the Enlarged Attwoods Group.

FUTURE PLANS FOR THE ENLARGED ATTWOODS GROUP

The Board intends to place emphasis on the expansion of the Drinkwater Group. This will be achieved by:—

(a) developing sites currently owned by the Drinkwater Group, specifically Pickeridge Farm, where 52 acres containing an estimated 1.3 million tonnes of sand and gravel have been zoned a preferred area for gravel extraction and subsequent landfill by Buckinghamshire County Council in their draft mineral plan;

(b) the acquisition of further sites; and

(c) the acquisition of other suitable companies in the business of sand and gravel extraction and waste disposal.

The ability to offer listed Attwoods shares by way of consideration for such acquisitions will be of advantage.

The Drinkwater Group enjoys the benefit of a strong and experienced management team capable of effectively managing the expansion outlined above. The other companies in the MEL Group will continue to operate with their existing management strengthened where necessary. The existing Attwoods business in Wolverhampton will continue under its present management.

It will be necessary for the Drinkwater Group to move from their present office and London depot by 1986. The Board is confident that alternative facilities will be available.

DIRECTORS AND MANAGEMENT

Attwoods

Mr. David Wickins (aged 62) became a non-executive Director of Attwoods on BCA Group acquiring a controlling interest in 1980 and became Chairman in 1981. He is Chairman of BCA Group.

Mr. John Feltham, F.C.A. (aged 56) became a non-executive Director of Attwoods on BCA Group acquiring its controlling interest. He is Deputy Chairman of BCA Group.

Mr. Noel Chavasse (aged 48) was appointed a Director of Attwoods in September 1965. He is a Managing Director responsible for operating the Mercedes-Benz dealership.

Mr. Kenneth Foreman (aged 47) joined W. W. Drinkwater as a Director and shareholder on its incorporation in 1977 and became chief executive of MEL in December 1981. He has worked in the sand and gravel business for many years. He was appointed to the Board of Attwoods as a Managing Director upon the completion of the acquisition of MEL.

Mr. Reginald Smith (aged 57) was appointed a non-executive Director of Attwoods on BCA Group acquiring its controlling interest. He is a Director of British Car Auctions Limited, a wholly owned subsidiary of BCA Group.

Mr. James Lane (aged 32) has been a non-executive Director of MEL since July 1980. He is an executor of Mr. J. C. Maybank's will. He was appointed to the Board of Attwoods as a non-executive Director upon the completion of the acquisition of MEL.

MEL and its subsidiaries

Mr. Ray Hartley (aged 36) is the Managing Director of CPC and a Director of MIL. He joined MEL in 1976, prior to which he had been involved in the newsprint industry.

Mr. Bernard Smith (aged 37) is the Managing Director of MPI and a Director of MIL. He joined MEL in 1980 and has been in the insulation business throughout most of his career.

Mr. Terry Watkins (aged 38) joined W. W. Drinkwater as a Director and shareholder on its incorporation in 1977, having spent 13 years within the industry. He is responsible for waste disposal services.

Mr. Tim Penfold (aged 31) was a Director of H. Sabey and joined the Drinkwater Group in 1978 on the acquisition of that company. He is the Director responsible for landfilling and sand and gravel extraction.

Mr. Stuart Green, F.C.A. (aged 38) joined MEL as Group Accountant and Company Secretary in 1980.

Mr. Francis Silvester, F.C.A. (aged 37) is the Finance Director of W. W. Drinkwater having been a Director of H. Sabey until its acquisition.

EMPLOYEES

The Enlarged Attwoods Group had the following number of employees at 12th March, 1982:—

Attwoods	27
MEL	296
Enlarged Attwoods Group	323

PROFIT FORECAST

On the basis of the profit forecast of the Drinkwater Group set out below and on the bases and assumptions set out in paragraph 5 of Appendix I the Board of Attwoods forecasts that in the absence of unforeseen circumstances profits before taxation and extraordinary items of the Enlarged Attwoods Group for the year ending 31st July, 1982, which will take into account the forecast profits of MEL and its subsidiaries from 25th March, 1982, will be not less than £240,000. The profit before taxation and extraordinary items for the Drinkwater Group for the ten months ending 31st July, 1982 is forecast in the absence of unforeseen circumstances and on the bases and assumptions set out in paragraph 5 of Appendix I to be not less than £400,000 and the appropriate proportion from 25th March, 1982 has been included in the forecast for the Enlarged Attwoods Group.

DIVIDEND FORECAST

WORKING CAPITAL

SUPPLEMENTARY INFORMATION

APPENDIX I

INFORMATION RELATING TO ATTWOODS

ATTWOODS PLC — *continued*

APPENDIX II

ACCOUNTANTS' REPORT ON MEL

The following is a copy of a report by West, Wake, Price & Co., auditors and joint reporting accountants, and by Binder Hamlyn, joint reporting accountants.

The Directors,
Robert Fleming & Co. Limited,
8 Crosby Square,
London, EC3A 6AN.

26th March, 1982

The Directors,
Attwoods PLC,
Penn Road,
Inner Ring Road,
Wolverhampton WV2 4HD.

Gentlemen,

1. INTRODUCTION

We, West, Wake, Price & Co., as auditors of Maybank Enterprises Limited ("MEL") for the whole period relevant to this report and as joint reporting accountants, and Binder Hamlyn, as joint reporting accountants, have examined the audited financial statements of MEL and all of its major subsidiaries for the period relevant to this report. MEL and its subsidiaries are hereinafter collectively referred to as "the MEL Group".

The principal operating subsidiaries of MEL at 30th September, 1981, the percentage of the share capital of each owned, and the date from which their figures are included in this report so far as concerns MEL are as follows:—

Name of Company	*Percentage of issued share capital owned by MEL*	*Date from which consolidated into MEL*
Drinkwater Sabey Limited	83.33	1st May 1981
Consolidated Paper Converters Limited	100	25th July 1980*
Maybank Insulation Limited	100	1st June 1980
MPI Limited	97.4	30th July 1980

*50 per cent. from 1st October, 1978 to 24th July, 1980.

On 1st May, 1981 Maybank Enterprises (Holdings) Limited ("MEH") which was 83.33 per cent. owned by MEL acquired 100 per cent. of the issued share capital of W. W. Drinkwater Limited ("W. W. Drinkwater") whose principal operating subsidiary is Drinkwater Sabey Limited. W. W. Drinkwater and its subsidiaries are hereafter collectively referred to as "the Drinkwater Group". On 25th March, 1982 the minority interest in MEH was acquired by MEL. On 27th June, 1978 W. W. Drinkwater acquired the whole of the issued share capital of H. Sabey & Co. Limited ("H. Sabey"). The results of H. Sabey for the period from 1st July, 1976 to 26th June, 1978 and its balance sheets at 30th June, 1977 and 26th June, 1978 are incorporated in the figures for the Drinkwater Group in this report as if it was a subsidiary from 1st July, 1976, after allowing for notional interest of £140,000 in the year to 30th June, 1977 and £99,000 in the period to 26th June, 1978 calculated by applying the clearing bank base rate to the purchase consideration of £1,275,000. The accounts of the Drinkwater Group have been audited during the whole period by Keens Shaw & Co., Chartered Accountants, other than in respect of the accounts of H. Sabey for the year ended 30th November, 1976 which were audited by Comins & Co., Chartered Accountants. The financial information included in this report for H. Sabey for the years ended 30th June, 1977 and 26th June, 1978 is based on unaudited management accounts. These figures had been incorporated into the audited accounts of H. Sabey for the year ended 30th November, 1976 and for the nineteen month period ended 26th June, 1978. Due to the significance and size in relation to the MEL Group as a whole, separate financial information is given about the Drinkwater Group in paragraph 8 of this report.

Hobbs & Maguire Limited ("Hobbs & Maguire"), a paper converting company, was a 50 per cent. associate of MEL from 1st October, 1976 to 1st September, 1977 and a wholly owned subsidiary from that date. Information available indicates that it ceased to trade on or about 1st July, 1977. Hobbs & Maguire produced an audited balance sheet at 30th June, 1976 and at 30th September, 1978, but no audited balance sheet was produced during the intervening period, in particular at 30th September, 1977. However, we have been able to satisfy ourselves from the subsequent balance sheet at 30th September, 1978 that the balance sheet of the MEL Group at 30th September, 1977 and the results of the MEL Group for the year ended 30th September, 1977 are materially correct as to the inclusion of Hobbs & Maguire in this report.

In November, 1976 MEL acquired a 51 per cent. interest in Burgess Maybank Limited ("Burgess Maybank") a property development company. During the period to 30th September, 1981 MEL invested £709,000 in this company. This investment was sold in November 1981 for £70,000 which was received in cash and the resulting loss of £639,000 has been treated as an extraordinary loss in the accounts for the year to 30th September, 1981. No credit has been taken in the results of MEL for either interest on monies lent or any other charges. The consolidated balance sheets and profit and loss accounts of the MEL Group referred to in this report exclude Burgess Maybank.

The information set out below, with the exception of that for Hobbs & Maguire to 30th September, 1977, is based on the audited accounts of the companies within the MEL Group, and the Drinkwater Group, after making such adjustments as, in our opinion, are appropriate. Supplementary current cost information for the MEL Group is set out in paragraph 7 of this report.

In our opinion:—

(i) The summaries and notes in paragraphs 2 to 6 which have been prepared under the historical cost convention as described in the notes on accounting policies give a true and fair view of the results and source and application of funds of the MEL Group for the five years ended 30th September, 1981 and of the state of affairs of MEL at 30th September, 1981 and of the MEL Group at 30th September in each of the years 1977 to 1981.

(ii) The abridged supplementary current cost accounts of the MEL Group for the year ended 30th September, 1981 set out in paragraph 7 have been properly prepared in accordance with the policies and methods described in the notes to give the information required by Statement of Standard Accounting Practice No. 16.

(iii) The summaries and notes in paragraph 8 which have been prepared under the historical cost convention as described in the notes on accounting policies give a true and fair view of the results and source and application of funds of the Drinkwater Group including H. Sabey where appropriate for the five accounting periods ending on 30th September, 1981 and of the state of affairs of the Drinkwater Group including H. Sabey where appropriate at each balance sheet date up to 30th September, 1981.

Mr. J. A. Rathmell, a partner in West, Wake, Price & Co., has a non-beneficial interest as a settlement trustee in 684,371 Ordinary shares of 25p each of Attwoods.

No audited accounts of the MEL Group or the Drinkwater Group have been prepared in respect of any period subsequent to 30th September, 1981.

2. ACCOUNTING POLICIES

The principal accounting policies, which have been consistently applied in preparing the historical cost financial information in this report for both the MEL Group and the Drinkwater Group are as follows:—

(i) *Accounting Convention*
The accounts are prepared under the historical cost convention as modified by the revaluation of certain properties and investments.

(ii) *Basis of consolidation*
The consolidated accounts include the accounts of MEL and its principal subsidiaries, with the exception of Burgess Maybank. The consolidated profit and loss account also includes the results of associated companies where material. The results of subsidiaries are consolidated from the date of acquisition and up to the date of disposal. MEH is dealt with as a wholly owned subsidiary throughout the period.

(iii) *Turnover*
Turnover represents sales, excluding value added tax, of goods and services to outside customers and income from leasing activities.

(iv) *Depreciation and Amortisation*
Depreciation and amortisation is calculated to write off the cost or valuation of fixed assets on the following basis:—

Freehold land and buildings	— none
Mineral bearing sites and landfill airspace	— estimated annual usage
Short leasehold land and buildings	— over the unexpired period of the lease
Plant and equipment	— 5 per cent. to 25 per cent. per annum according to the expected life of the asset
Vehicles	— 10 per cent. to 25 per cent. per annum according to the expected life of the asset
Assets leased to third parties	— over the primary rental period of the lease.

(v) *Deferred Taxation*
Provision is made for deferred taxation under the liability method where, in the opinion of the directors, a liability is likely to arise in the foreseeable future.
No provision is made for any potential liability to corporation tax on chargeable gains which would arise if the revalued properties were to be sold at their balance sheet values.

(vi) *Leasing income*
Instalments receivable under rental contracts are brought into revenue as they become due. Deposits representing advance receipts on rental instalments are carried forward and included in revenue over the period of the lease.

(vii) *Stocks and work-in-progress*
Stocks and work-in-progress are valued at the lower of cost, inclusive of appropriate overheads, and net realisable value, after making due allowance for obsolete and slow-moving items.

(viii) *Income from listed investments*
Income from listed investments, including the related tax credit, is accounted for when a dividend is declared and payable.

3. THE MEL GROUP PROFIT AND LOSS ACCOUNTS

The MEL Group profit and loss accounts for the last five years are as follows:—

	Notes	1977 £000	1978 £000	1979 £000	1980 £000	1981 £000
Turnover	(i)	178	4,402	1,531	2,091	5,275
Cost of sales	(ii)	(204)	(4,444)	(1,585)	(2,361)	(5,436)
Operating loss	(iii)	(26)	(42)	(54)	(270)	(161)
Other income	(iv)	430	271	276	383	173
Interest payable	(v)	(1)	—	(2)	(10)	(254)
Share of profit/(loss) of associated companies		(120)	11	—	(21)	—
Profit/(loss) before taxation		283	240	220	82	(242)
Taxation (charge)/credit	(vi)	(144)	(84)	(77)	(34)	243
Profit after taxation		139	156	143	48	1
Minority interests		—	—	—	3	—
Extraordinary items	(vii)	(63)	34	177	62	(535)
Profit/(loss) for the year attributable to the members of MEL		76	190	320	113	(534)
Dividends	(viii)	(199)	(143)	(161)	(158)	—
Profit/(loss) retained for the year		(123)	47	159	(45)	(534)
Earnings per share	(ix)	13.5p	15.2p	13.9p	4.7p	0.1p

4. THE MEL GROUP BALANCE SHEETS AND THE MEL BALANCE SHEET

The balance sheets of MEL as at 30th September, 1981 and of the MEL Group at 30th September, 1977 to 1981 are as follows:—

	Notes	1977 £000	1978 £000	1979 £000	1980 £000	1981 £000	MEL 1981 £000
Fixed assets	(x)	31	17	1	896	6,196	155
Assets leased to third parties	(xi)	—	—	—	825	839	[illegible]
Subsidiary companies	(xii)	—	—	—	—	—	2,835
Subsidiary companies not consolidated	(xiii)	—	—	—	890	95	—
Investments	(xiv)	4,126	3,480	4,091	2,243	582	563
Current assets:							
Stocks and work-in-progress	(xv)	—	—	—	[illegible]	253	[illegible]
Debtors and prepayments		39	77	[illegible]	[illegible]	[illegible]	[illegible]
Mortgages and other loans		120	117	108	100	[illegible]	[illegible]
Short-term deposits		—	—	—	230	170	[illegible]
Bank and cash balances		71	59	52	[illegible]	29	[illegible]
		230	253	222	1,036	2,411	[illegible]
Current liabilities:							
Creditors and accruals		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank loans	(xvi)	—	—	—	—	204	—
Loans (to)/from a former director	(xvii)	—	35	20	20	(20)	(20)
Hire purchase commitments		—	—	—	[illegible]	[illegible]	—
Bank overdrafts	(xviii)	—	77	—	95	397	79
Taxation		72	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dividends		89	72	89	—	—	—
		433	504	333	1,089	3,030	434
Net current liabilities		(203)	(251)	(111)	(53)	(619)	(139)
		3,953	3,246	3,981	3,999	7,093	4,246
Share capital	(xix)	257	257	257	1,028	1,028	1,028
Reserves	(xx)	2,789	2,269	2,809	2,036	3,138	1,257
Shareholders' funds		3,046	2,526	3,066	3,064	4,166	2,285
Minority interests		[illegible]	730	875	872	—	—
Deferred taxation	(xxi)	—	—	—	—	696	881
Bank Loans	(xvi)	—	—	—	—	2,045	1,400
Hire purchase commitments		—	—	—	60	186	—
		3,953	3,246	3,981	3,999	7,093	4,246

5. THE MEL GROUP SOURCE AND APPLICATION OF FUNDS

	1977 £000	1978 £000	1979 £000	1980 £000	1981 £000
Source of funds:—					
Profit/(loss) before taxation	283	240	220	82	(242)
Adjustment for items not involving the movement of funds:—					
Depreciation	6	1	29	58	600
Profit on sale of fixed assets	—	(5)	(3)	(2)	(5)
Minority interests	—	—	—	6	—
Total generated from operations	289	236	246	144	353
From other sources:—					
Proceeds from disposal of investments	101	100	18	2,053	1,895
Proceeds from sales of assets	1	18	—	2	2,249
Bank loans	—	—	—	—	25
Proceeds from insurance policy	—	—	—	—	38
Taxation recovered	—	—	—	—	263
	391	354	264	2,199	4,823
Application of funds:—					
Purchase of fixed assets	16	—	—	1,177	8,063
Purchase of investments	78	237	—	—	30
Taxation paid	186	35	142	36	158
Dividends paid	144	170	72	181	158
Bank loans repaid	—	25	—	—	—
Investment in subsidiaries (not consolidated)	—	—	—	690	44
Goodwill on acquisition of subsidiary	84	—	—	33	—
	508	467	214	2,117	5,295
Net excess/(outflow) of funds	(117)	(113)	50	82	(472)
Represented by increase/(decrease) in working capital:—					
Stocks and work-in-progress	—	—	—	38	170
Debtors including mortgages	3	35	(32)	47	1,295
Creditors including hire purchase	(180)	(24)	(39)	829	(1,599)
Loans with former director	(26)	(35)	15	(636)	40
Increase/(decrease) in net liquid funds:—					
Cash and bank balances	68	(12)	(7)	7	(30)
Bank overdrafts	18	(77)	77	(95)	(302)
Short term deposits	—	—	—	230	(60)
	(117)	(113)	50	82	(472)

6. NOTES TO THE MEL GROUP ACCOUNTS

	1977 £000	1978 £000	1979 £000	1980 £000	1981 £000
	Years ended 30th September,				
(i) *Turnover comprises*					
Paper converting	178	88	—	382	1,360
Domestic house and commercial insulation	—	—	—	173	1,185
Leasing	—	—	—	13	331
Sand and gravel extraction and waste disposal (five months)	—	—	—	—	2,336
Commodity trading (discontinued)	—	4,314	1,531	1,523	63
	178	4,402	1,531	2,091	5,275
Exports to Europe	—	—	—	28	76
(ii) *Cost of sales includes*					
Depreciation and amortisation	6	1	29	58	600
Hire of plant	—	—	—	15	77
Directors' emoluments	15	14	14	17	31
Auditors' remuneration	1	1	2	7	14
(iii) *Operating loss comprises*					
Paper converting	13	2	—	(14)	(19)
Domestic house and commercial insulation	—	—	(28)	(138)	(488)
Leasing	—	—	—	(5)	20
Sand and gravel extraction and waste disposal (five months)	—	—	—	—	523
Commodity trading (discontinued)	—	(3)	2	(2)	—
	13	(1)	(26)	(159)	36
Central overheads	(39)	(41)	(28)	(111)	(197)
	(26)	(42)	(54)	(270)	(161)
(iv) *Other income comprises*					
Income from listed investments	405	260	263	334	98
Interest receivable	25	11	13	49	75
	430	271	276	383	173
(v) *Interest payable comprises*					
Bank and loan interest	1	—	2	6	197
Hire purchase interest	—	—	—	4	57
	1	—	2	10	254
(vi) *Taxation*					
The taxation charge/(credit) comprises:—					
Corporation tax at 52 per cent.	6	11	(8)	13	25
Relief against chargeable gains	—	(15)	—	(352)	(419)
Deferred taxation	—	—	(2)	273	122
Tax credits on UK dividends	138	88	87	100	29
	144	84	77	34	(243)
(vii) *Extraordinary items*					
Extraordinary items net of attributable taxation comprise:—					
Profit on disposal of investments	—	34	—	115	91
Profit on disposal of subsidiary company	21	—	—	—	—
Capital reserve/(goodwill) arising on acquisition of subsidiaries	(84)	—	177	(53)	—
Proceeds from life insurance policy	—	—	—	—	13
Burgess Maybank Limited—amount written off cost of investment and indebtedness	—	—	—	—	(639)
	(63)	34	177	62	(535)
(viii) *Dividends*					
Interim	100	71	72	158	—
Final	89	72	89	—	—
	189	143	161	158	—
Dividends per share on the basis of 1,027,780 ordinary shares	18.4p	13.9p	15.7p	15.4p	—

(ix) *Earnings per share*
Earnings per share in the years 1977 to 1980 have been calculated on the profit after taxation and minority interests and before extraordinary items on the basis of 1,027,780 ordinary shares in issue for each year. The calculation in 1981 is based on a weighted average of 1,135,103 ordinary shares in issue during the year which includes the number of shares issued by MEL to replace the minority interest of 16.67 per cent. in MEH which was acquired by MEL on 25th March, 1982 but for the purposes of this report the acquisition date is assumed to be 1st May, 1981.

(x) *Fixed assets*
The fixed assets of the MEL Group at 30th September, 1981 comprise:—

	Cost/Valuation £000	*Depreciation* £000	*Net book amount* £000
Freehold land and buildings	3,684	—	3,684
Short leasehold properties	173	18	155
Plant, vehicles and equipment—at cost	3,783	1,326	2,457
	7,640	1,344	6,196

The MEL Group does not depreciate its freehold buildings in accordance with Statement of Standard Accounting Practice No. 12. We consider this departure not to be material as the additional charge would not exceed £5,000.

Analysis of cost/valuation of properties:—

	Freehold: Operating sites: Landfill £000	Operating sites: Mineral £000	Sites held for future extraction & landfill £000	Other properties £000	Total £000	Short Leasehold £000	Total £000
Valuation in 1981	1,218	1,027	926	226	3,397	25	3,422
1980	—	—	—	60	60	—	60
Cost	—	—	—	127	127	148	275
	1,218	1,027	926	413	3,584	173	3,757

The principal properties held by the Drinkwater Group were valued by Messrs. J. R. Eve, Chartered Surveyors, at 30th September, 1981. This valuation is set out in Appendix IV.

The landfill sites are all situated within fifteen miles of each other and are anticipated to be used in connection with the waste disposal business over the period of the next ten years. In view of the Drinkwater Group's ability to determine which site should be used at any one time it has been considered appropriate to value the landfill sites as a whole. Messrs. J. R. Eve, have valued the total air space of the freehold and short leasehold properties of landfill sites at £1,218,000. This valuation will be amortised as the air space available for tipping is used.

The value of freehold landfill operating sites takes into account the value of a licence to tip which is available to the Drinkwater Group until 31st December, 1984 for no consideration. On the adoption of the foregoing method of valuing the landfill sites and their subsequent amortisation, it has been assumed that this licence will have no value after the expiration of two years based on current usage.

(xi) *Assets leased to third parties*
Assets leased to third parties at 30th September, 1981 comprise:—

Cost £000	*Depreciation* £000	*Net book amount* £000
1,130	291	839

(xii) *Subsidiary companies*
The interest in subsidiary companies at 30th September, 1981 comprises:—

	£000
Shares at cost	2,825
Amounts due from subsidiaries	1,238
Amounts due to subsidiaries	(69)
	3,994
Less amounts written off	(1,159)
	2,835

(xiii) *Subsidiary companies not consolidated*
The balance at 30th September, 1981 comprises:—

	£000
Burgess Maybank Limited	70
Advanced Waste Paper Services Limited	25
	95

Both these subsidiaries have been sold subsequent to 30th September, 1981 for the above amounts of which £70,000 has been received in cash.

(xiv) *Investments*
The investments at 30th September, 1981 comprise:—

	Listed Investments £000	*Unlisted Investments* £000	*Total* £000
At cost	1	28	29
At market value	553	—	553
	554	28	582

The listed investments stated at market value were sold in February 1982 for £571,000 net of expenses.

(xv) *Stocks and work in progress*
The stocks and work in progress of the MEL Group at 30th September, 1981 comprise:—

	£000
Raw materials	227
Finished goods	23
Work-in-progress	3
	253

(xvi) *Bank loans*
Bank loans at 30th September, 1981 were secured and repayable as follows:—

	£000
to one year or less	204
Between one and two years	204
Between two and five years	1,841
	2,249

(xvii) *Loans to a former director*
In February and March 1981 two interest free advances amounting to £20,000 were made to the late Mr. J. C. Maybank. The balance due at 30th September, 1981 has subsequently been repaid by his executors.

(xviii) *Bank overdrafts*
Bank overdrafts at 30th September, 1981 comprise:—

	£000
Secured	396
Unsecured	1
	397

(xix) *Share Capital*
On 12th August, 1980 the authorised share capital was increased from £300,000 to £1,500,000 and the issued share capital was increased from £256,945 to £1,027,780 by a bonus issue in the proportion of three ordinary 25p shares fully paid for every one ordinary 25p share held. The ordinary 25p shares were consolidated into ordinary shares of £1 each.

(xx) *Reserves*
Movements in reserves during the five years ended 30th September, 1981 were:—

	1977 £000	*1978* £000	*1979* £000	*1980* £000	*1981* £000
Realised reserves:—					
Balance brought forward	202	79	126	285	1,317
Retained profits/(losses) for the year	(123)	47	159	(45)	(534)
Transfer from unrealised reserves	—	—	—	1,077	719
Minority interest acquired	—	—	—	—	(2)
Balance carried forward	79	126	285	1,317	1,500
Unrealised reserves:—					
Balance brought forward	3,070	2,710	2,143	2,524	719
Transfer to realised reserves	—	—	—	(1,077)	(719)
Net adjustment for increase/(decrease) in market value and disposals of listed investments	(360)	(567)	381	43	128
Capitalisation of bonus issue	—	—	—	(771)	—
Capital reserve arising on consolidation	—	—	—	—	1,510
Balance carried forward	2,710	2,143	2,524	719	1,638
Total reserves	2,789	2,269	2,809	2,036	3,138

(xxi) *Deferred Taxation*
The provision for deferred taxation at 30th September, 1981 is made up as follows:—

	£000
On accelerated capital allowances	597
On potential chargeable gains on revaluation of listed investments	99
	696

If a full provision had been made for deferred taxation in respect of accelerated capital allowances the deferred taxation provision would have been increased by £869,000.
No provision is made for corporation tax, estimated at £930,000, which might arise if the properties of the MEL Group were to be realised at their revalued amounts.

(xxii) *Capital commitments*
(a) A subsidiary company had commitments under leasing contracts at 30th September, 1981 amounting to £101,000.
(b) The aggregate amount of capital expenditure contracted for but not provided for at 30th September, 1981 is estimated at £20,000.

(xxiii) *Contingent liabilities*
(a) MEL has guaranteed a subsidiary's leasing arrangements up to an amount of £101,000 as at 30th September, 1981.
(b) MEL has given guarantees to secure bank overdrafts of its subsidiaries at 30th September, 1981 amounting to £300,000.
(c) MEL has guaranteed the payment of rent under the terms of a lease held by a subsidiary. The lease expires in 2001 and the current rent payable is £40,600 per annum with reviews every five years from September 1981.
(d) At 30th September, 1981 there were legal claims against a subsidiary of MEL amounting to £120,000. These claims are not being presently pursued and accordingly no provision has been made in the MEL Group accounts at 30th September, 1981.

7. THE MEL GROUP CURRENT COST ACCOUNTS

The current cost accounts of the MEL Group for the year ended 30th September, 1981 are as follows:—

A **Current Cost Profit and Loss Account**

	Notes	£000	£000
Historical cost loss before interest			(63)
Current cost operating adjustments:—	(ii)		
Depreciation adjustment		(232)	
Cost of sales adjustment		(15)	
Monetary working capital adjustment		(12)	
			(259)
Current cost operating loss			(322)
Gearing adjustment	(ii)	87	
Interest (net)		(179)	
			(92)
Current cost loss before taxation			(414)
Taxation			243
Current cost loss after taxation			(171)
Extraordinary items			(535)
Current cost loss attributable to the members of MEL			(706)
Dividends			—
Current cost loss	(vi)		(706)

B **Current Cost Balance Sheet at 30th September, 1981**

	Notes	£000	£000
Fixed assets	(iii)		6,883
Assets leased to third parties			875
Investments and other non-current assets			677
Net current liabilities	(iv)		(617)
			7,818
Share capital			1,028
Current cost reserve	(v)	897	
Other reserves		2,966	
			3,863
Shareholders' funds			4,891
Deferred taxation			696
Loans			2,045
Hire purchase commitments			186
			7,818

C **Notes to the Current Cost Accounts**

(i) *Basis of the accounts*
The current cost accounts have been prepared in accordance with Statement of Standard Accounting Practice No. 16 and, except as set out below, the accounting policies are the same as those used in the historical cost accounts.
This is the first year that the MEL Group has prepared current cost accounts and therefore corresponding figures are not shown, since they are not readily available.

(ii) *Adjustments*
(a) *Fixed assets are stated at current replacement cost, calculated using appropriate published indices* and independent professional valuations of land and buildings.
(b) The depreciation adjustment is the excess depreciation calculated on the average current replacement cost over that charged in the historical cost accounts having adjusted asset lives where necessary.
(c) Stock is stated at current replacement cost using appropriate published indices.
(d) The cost of sales adjustment is the difference between the historical cost of sales and their average current replacement cost at the date of sale, calculated using the averaging method.
(e) The monetary working capital adjustment represents the effects of price changes on the amount of monetary working capital needed to preserve the operating capability of the MEL Group and is calculated using the averaging method.
(f) The gearing adjustment has been applied to reflect the fact that part of the net operating assets are financed other than by shareholders' funds and is calculated by multiplying the sum of the current *cost operating adjustments by the fraction; net monetary liabilities divided by net monetary liabilities* plus share capital and reserves.

(iii) *Fixed assets*

	Gross £000	*Depreciation* £000	*Net* £000
Land and buildings	3,762	18	3,744
Plant, vehicles and equipment	6,163	3,024	3,139
	9,925	3,042	6,883

(iv) *Net current liabilities*

	£000
Stocks and work-in-progress	255
Monetary working capital	102
Total working capital	357
Other net current liabilities	(974)
	(617)

(v) *Current cost reserve*

	£000	£000
Revaluation surpluses reflecting price changes:—		
Fixed assets	919	
Assets leased to third parties	36	
Stock	17	
		972
Monetary working capital adjustment		12
Gearing adjustment		(87)
Balance at 30th September, 1981		897
of which: realised		172
unrealised		725
		897

The realised element represents the net cumulative total of the current cost adjustments which have been passed through the profit and loss account. Thus it represents the difference between historical and current cost profits since 1st October, 1980 from which date current cost accounts were first prepared.

(vi) *Current cost loss per share*
The loss per share for the year was 15.1p.

8. FINANCIAL INFORMATION RELATING TO THE DRINKWATER GROUP

The following financial statements relate to the consolidated accounts of the Drinkwater Group from 1st July, 1977 to 30th September, 1981 and to accounting information of H. Sabey from 1st July, 1976 to 26th June, 1978 from which date H. Sabey was a member of the Drinkwater Group. During this period there were a number of varying accounting periods for information about H. Sabey and subsequently the Drinkwater Group, namely:—

H. Sabey	
1st July, 1976 to 30th June, 1977	—12 months
H. Sabey and the Drinkwater Group	
1st July, 1977 to 26th June, 1978	—12 months
The Drinkwater Group	
27th June, 1978 to 31st October, 1979	—16 months
1st November, 1979 to 31st October, 1980	—12 months
1st November, 1980 to 30th September, 1981	—11 months

The information given below is based on these varying accounting periods.

A **The Drinkwater Group Profit and Loss Accounts**

	Notes	*1976/1977 12 months* £000	*1977/1978 12 months* £000	*1978/1979 16 months* £000	*1979/1980 12 months* £000	*1980/1981 11 months* £000
Turnover	(i)	1,320	2,903	5,850	4,935	4,482
Cost of sales	(ii)	(1,173)	(2,546)	(4,590)	(4,226)	(3,799)
Operating profit		147	357	1,060	709	683
Other income	(iii)	16	18	24	13	3
Interest payable	(iv)	(65)	(57)	(297)	(288)	(224)
Notional interest on consideration monies for acquisition of H. Sabey		(140)	(99)	—	—	—
Profit/(loss) before taxation		(42)	214	787	454	458
Taxation (charge)/credit	(v)	(17)	12	(239)	(221)	(92)
Profit/(loss) after taxation		(59)	226	548	233	366
Extraordinary items	(vi)	7	142	(109)	(100)	76
Profit/(loss) for the period available for distribution		(52)	368	439	133	442
Dividends	(vii)	(13)	—	—	—	(850)
Profit/(loss) retained for the period		(65)	368	439	133	(408)

ATTWOODS PLC—*continued*

B The Drinkwater Group Balance Sheets

	Notes	30th June 1977 £000	26th June 1978 £000	31st October 1979 £000	31st October 1980 £000	30th September 1981 £000
Fixed assets	(viii)	1,004	1,457	4,135	4,534	5,522
Investments	(ix)	5	11	6	4	4
Current assets:						
Stocks	(x)	54	61	63	71	73
Debtors		315	329	1,171	1,176	1,241
Cash in hand		1	27	18	123	5
		370	417	1,252	1,370	1,319
Current liabilities:						
Creditors		192	624	697	791	916
Bank overdrafts	(xi)	137	43	213	150	43
Hire purchase liabilities		64	261	596	489	503
Bank loans	(xv)	150	120	120	204	204
Taxation		33	66	236	228	100
		576	1,114	1,861	1,862	1,766
Net current liabilities		(206)	(197)	(609)	(492)	(447)
		803	1,271	3,532	4,046	5,080
Share capital	(xii)	30	31	1	1	2
Reserves	(xiii)	773	1,240	2,946	3,079	4,288
Shareholders' funds		803	1,271	2,947	3,080	4,290
Deferred taxation	(xiv)	—	—	—	166	145
Bank loans	(xv)	—	—	585	800	645
		803	1,271	3,532	4,046	5,080

C The Drinkwater Group Sources and Application of Funds

	1976/1977 12 months £000	1977/1978 12 months £000	1978/1979 16 months £000	1979/1980 12 months £000	1980/1981 11 months £000
Source of funds:—					
Profit/(loss) before taxation	(42)	214	787	454	456
Adjustments for items not involving the movement of funds:—					
Depreciation	99	170	471	466	486
Profit on sale of fixed assets	—	(3)	(3)	(3)	—
Notional interest	140	99	—	—	—
Total generated from operations	197	480	1,255	917	944
From other sources:—					
Proceeds from sale of fixed assets	24	260	283	155	892
Bank loans	—	—	865	315	—
Other	—	36	15	2	—
	221	776	2,406	1,389	1,836
Application of funds:—					
Purchase of H. Sabey	—	—	1,075	200	—
Purchase of fixed assets	75	727	1,236	817	676
Taxation paid	—	—	70	62	238
Bank loan repaid	—	—	270	100	155
Dividends paid	—	—	—	—	850
Other	—	6	—	100	—
	75	733	2,651	1,279	1,919
Net source/(outflow) of funds	146	43	(243)	110	(83)
Represented by increase/(decrease) in working capital:—					
Stock	(5)	7	2	8	2
Debtors	(15)	482	342	5	65
Creditors including hire purchase	32	(596)	(408)	13	(139)
Loans	—	30	—	(84)	—
Increase/(decrease) in net liquid funds:—					
Cash and bank balances	—	26	(9)	105	(118)
Bank overdrafts	134	94	(170)	63	107
	146	43	(243)	110	(83)

D Notes to the Drinkwater Group Accounts

	1976/1977 12 months £000	1977/1978 12 months £000	1978/1979 16 months £000	1979/1980 12 months £000	1980/1981 11 months £000
(i) *Turnover comprises*					
Waste disposal	1,086	2,260	4,504	3,843	3,152
Sand and gravel extraction	149	394	349	405	732
Landfill	85	249	797	687	598
	1,320	2,903	5,650	4,935	4,482

There were no exports during the period.

	1976/1977	1977/1978	1978/1979	1979/1980	1980/1981
(ii) *Cost of sales includes*					
Depreciation	99	170	331	352	389
Amortisation	—	—	140	114	97
Directors' emoluments	32	108	240	188	154
Auditors' remuneration	3	15	14	10	11
(iii) *Other income comprises*					
Rent receivable	11	6	11	7	5
Dividends receivable	2	4	9	3	4
Surplus on disposal of fixed assets	—	3	3	3	—
Interest receivable	3	—	1	—	—
	16	13	24	13	9
(iv) *Interest payable comprises*					
Bank and loan interest	55	28	231	186	158
Hire purchase interest	10	29	66	82	76
	65	57	297	268	234
(v) *Taxation*					
The taxation charge/(credit) comprises:—					
Corporation tax at 52 per cent.	17	35	239	54	113
Deferred taxation	—	—	—	167	(21)
Taxation credit on extraordinary items	—	(47)	—	—	—
	17	(12)	239	221	92
(vi) *Extraordinary items*					
Extraordinary items net of attributable taxation comprise:—					
Profit/(loss) on sale of fixed assets	7	108	(124)	—	76
Surplus on purchased debtors	—	34	15	—	—
Liquidated damages	—	—	—	(35)	—
Ex gratia payment to former director	—	—	—	(65)	—
	7	142	(109)	(100)	76

(vii) *Dividends*
A dividend of £850,000 was paid in April 1981 to Nearcity Limited who, on that date, owned 91 per cent. of the issued share capital of W. W. Drinkwater. Mr. M. K. Foreman, who owned the remaining 9 per cent. of the issued share capital waived his right to this dividend.

(viii) *Fixed assets*
The fixed assets of the Drinkwater Group at 30th September, 1981 comprise:—

	Cost/Valuation £000	Depreciation £000	Net book amount £000
Freehold properties	3,403	—	3,403
Short leasehold properties	87	—	87
Plant, vehicles and equipment—at cost	3,036	1,003	2,033
	6,526	1,003	5,523

The Drinkwater Group does not depreciate its freehold buildings in accordance with Statement of Standard Accounting Practice No. 12. We consider this departure not to be material as the additional charge would not exceed £3,000.

Analysis of cost/valuation of properties:—

	Freehold: Operating sites Landfill £000	Freehold: Operating sites Mineral £000	Freehold: Sites held for future extraction & landfill £000	Freehold: Other properties £000	Freehold: Total £000	Short Leasehold £000	Total £000
Valuation in 1981	1,218	1,027	926	226	3,397	25	3,422
Cost	—	—	—	6	6	62	68
	1,218	1,027	926	232	3,403	87	3,490

For further information on the properties of the Drinkwater Group refer to note (x) to the MEL Group accounts in paragraph 8 above.

(ix) *Investments*
The investments of the Drinkwater Group at 30th September, 1981 comprise:—

	Listed Investments £000	Unlisted Investments £000	Total £000
At cost	1	3	4

(x) *Stocks*
Stocks comprise processed gravel, fuel and spare parts.

(xi) *Bank overdraft*
At 30th September, 1981 the bank overdraft was secured on the assets of the Drinkwater Group.

(xii) *Share Capital*
The share capital of W. W. Drinkwater comprises:—

	£000
1,000 £1 ordinary shares	1
1,000 £1 deferred shares	1
	2

During the eleven months to 30th September, 1981 £1,000 of reserves was capitalised into 1,000 Ordinary shares of £1 each. At 30th June, 1977 and 1978 the share capital includes the share capital of H. Sabey.

(xiii) *Reserves*
Movements in reserves during the period ended on 30th September, 1981 were:—

	30th June, 1977 £000	26th June, 1978 £000	31st October, 1979 £000	31st October, 1980 £000	30th September, 1981 £000
Realised reserves:					
Balance brought forward	384	459	926	787	1,036
Elimination of H. Sabey reserves	—	—	(578)	—	—
Retained profits/(losses) for the period	(65)	368	439	133	(408)
Transfer from unrealised reserves	—	—	—	116	837
Reversal of notional interest	140	99	—	—	—
Balance carried forward	459	926	787	1,036	1,465
Unrealised reserves:					
Balance brought forward	314	314	314	2,159	2,043
Elimination of H. Sabey reserves	—	—	(314)	—	—
Transfer to realised reserves	—	—	—	(116)	(837)
Capitalisation of bonus issue	—	—	—	—	(1)
Surplus arising on property revaluations	—	—	2,159	—	1,618
Balance carried forward	314	314	2,159	2,043	2,823
Total reserves	773	1,240	2,946	3,079	4,288

(xiv) *Deferred Taxation*
The provision for deferred taxation at 30th September, 1981 calculated under the basis set out in the accounting policies represents provision for accelerated capital allowances. If a full provision had been made for deferred taxation in respect of accelerated capital allowances the provision would have been increased by £869,000.
No provision is made for corporation tax, estimated at £925,000, which might arise if the properties were to be realised at their revalued amounts.

(xv) *Loans*
The loans at 30th September, 1981 comprise secured term loans of £849,000 repayable as follows:—

	£000
In one year or less	204
Between one and two years	204
Between two and five years	441
	849

(xvi) *Capital Commitments*
The aggregate amount of capital expenditure contracted for but not provided for at 30th September, 1981 is estimated at £20,000.

Yours faithfully,
WEST, WAKE, PRICE & CO., Chartered Accountants, London.
SINDER HAMLYN, Chartered Accountants, London.

APPENDIX III

PRO FORMA STATEMENT OF NET TANGIBLE ASSETS OF THE ENLARGED ATTWOODS GROUP

The pro forma statement of net tangible assets of the Enlarged Attwoods Group is as follows:—

	MEL £000	Attwoods £000	Pro forma statement of the Enlarged Attwoods Group £000
Fixed assets	6,196	563	6,759
Assets leased to third parties	839	—	839
Investments	29	—	29
Net current assets/(liabilities)—Note 2	(659)	584	(75)
	6,405	1,147	7,552
Less:—			
Deferred taxation	(597)	(38)	(635)
Loans including hire purchase	(1,560)	—	(1,560)
Net tangible assets attributable to the ordinary shareholders	4,248	1,109	5,357
Net assets per share			84.5p

Notes:—
1. The pro forma statement of net tangible assets of the Enlarged Attwoods Group is based on:—
(a) The unaudited balance sheet of Attwoods and its subsidiaries at 31st January, 1982 as included in Appendix I adjusted for:—
(i) The issue of 4,241,874 Ordinary Shares of 25p each at 78.75p in exchange for the whole of the issued share capital of MEL.
(ii) The costs of the acquisition estimated at £340,000.
(b) The audited accounts of MEL and its subsidiaries at 30th September, 1981 as set out in the Accountants Report on MEL in Appendix II adjusted for:—
(i) The disposal on 22nd February, 1982 of listed investments for £671,000 net of expenses which were included in the balance sheet at 30th September, 1981 at £553,000. The proceeds have been applied in reducing bank loans, and the taxation arising on this disposal of £135,000, of which £96,000 was already provided for in deferred taxation at 30th September, 1981, has been transferred to current liabilities.
(ii) The disposal of two subsidiaries which were not consolidated at 30th September, 1981 for £95,000 being the amount at which they were stated in the balance sheet at that date.
2. The net current liabilities included in the pro forma statement of net tangible assets comprise:—

	£000
Current assets:	
Stock	1,063
Debtors	2,160
Taxation	7
Cash at bank	408
	3,638
Current liabilities:	
Creditors	2,298
Taxation	402
Bank loans, overdrafts and other loans	1,003
Dividend	10
	3,713
Net current liabilities	75

APPENDIX IV

VALUERS' REPORT ON THE DRINKWATER GROUP'S PRINCIPAL PROPERTIES

The following is a copy of a letter received from Messrs. J. R. Eve, Chartered Surveyors, of 1 Dean's Yard, London SW1P 3NR dated 26th March, 1982.

The Directors
Attwoods PLC,
Pann Road,
Inner Ring Road,
Wolverhampton WV2 4HD.

1 Dean's Yard,
London SW1P 3NR

The Directors
Robert Fleming & Co. Limited,
8 Crosby Square,
London EC3A 6AN.

26th March, 1982

Gentlemen,
The Drinkwater Group

VALUATION OF CERTAIN PROPERTY ASSETS

In accordance with your instructions dated 11th December, 1981, we have valued the interest of the Drinkwater Group in the properties set out on the attached schedule.

All the interests have been valued at their open market value on 30th September, 1981, either for their existing use or where the interests are held for mineral extraction and or subsequent refilling and restoration, in their existing state including any open market value for that purpose on the assumption that the Drinkwater Group would wish to continue carrying on that activity. No allowance has been made for any costs of sale or realisation, nor has an allowance been made for any Capital Gains Tax or Development Land Tax that may be payable.

The valuation includes all buildings and landlord's fixtures, but does not include any plant or other structures treated as plant in the Drinkwater Group's accounts.

Although we have inspected all Leases, Licences and Consents that relate to these properties, we have not investigated the Drinkwater Group's Title to them. We have inspected all existing planning permissions. We have made enquiries of the planning authorities and we have made our own assessment of what might or might not be permitted in the future. In appropriate cases our values include any present market value of the future potential of land which at the present time does not have planning permission.

Although we have inspected all the properties concerned we have not carried out any structural surveys of the buildings, nor have we inspected or checked any service installation.

Where any property has a value for extraction of minerals and or refilling with waste, information on the existence, type, and quantity of minerals or space for refilling, and suitability for sale, has been provided to us. We have examined this information and carried out certain checks on the calculations ourselves. Our valuations take into account the extent and quality of the information available for each site.

On the basis of the above assumptions our valuations of the properties concerned amount to a total of £3,422 million, the details of which are set out in the Schedule attached.

Yours faithfully,
MESSRS. J. R. EVE

THE DRINKWATER GROUP
SCHEDULE TO THE VALUATION OF CERTAIN PROPERTY ASSETS
Summary of Values as at 30th September, 1981

A.	Properties in the course of exploitation for minerals and/or land fill	£2,245,000
B.	Properties held for future exploitation of minerals and/or land fill	£926,000
C.	Properties occupied for other operational purposes	£145,000
D.	Other properties	£106,000
		£3,422,000

Note:—
In this schedule:—
(a) "Disposal Licence" means a licence to operate a site for waste disposal purposes in accordance with Section 5 of the Control of Pollution Act 1974.
(b) "Section 222 consent" means consent under Section 222 of the Middlesex County Council Act 1944 to operate a site for the deposit of refuse.
(c) "Planning permission" means consent granted in accordance with Town and Country Planning Legislation and all relevant permissions are subject to conditions.

SCHEDULE

A. PROPERTIES IN THE COURSE OF EXPLOITATION FOR MINERALS AND/OR LANDFILL

Ref. No.	Property	Description and Tenure	Existing Consents	Capital value in Existing State	Remarks
1.	Sipson Farm, West Drayton, Middlesex.	66 acres currently in the course of mineral exploitation. Freehold.	Planning permission for extraction of sand and gravel and refilling with waste materials. Section 222 consent.	£894,000	The value for mineral extraction only (see below for value for tipping). Disposal Licence. applied for in February 1981.
3.	Rush Green, Hollybush Lane, Denham, Bucks.	15.5 acres solid wastes landfill site. Freehold.	Planning permission granted for the tipping of household, commercial and controlled industrial waste. Disposal Licence for oversized pulverised household and commercial waste as delivered by Bucks County Council and industrial waste.		
4.	Springwell Lane, Harefield, Middlesex.	A. 93.5 acres of land includes: (a) 64 acres exhausted mineral workings being filled with trade and industrial wastes. Freehold.	Planning permission for the tipping of approved industrial waste on approximately 80 acres to final contours on site. This includes all the land included under A. (b) and B.		Disposal Licence applied for in January 1978.
		(b) 9.5 acres scrubland. Held on a Licence, no consideration other than the right for the owner to tip up to a maximum of 160,000 yds³ of material at 30p per yd³ loose waste and 45p per yd³ compacted waste.	Section 222 Consent.		No tipping has yet been carried out by the owner.
		B. 20 acres hoggin reserves. Freehold.	Planning permission for the extraction of hoggin. Planning permission for tipping of approved industrial waste (part of permission on A).	£133,000	The value for mineral extraction only (see below for value for tipping).
12.	Stockley Road, West Drayton, Middlesex.	Two tipping areas for the deposit of waste materials. Held under licence dated 1st May, 1981 granting exclusive right to deposit waste materials until 31st December, 1984 at no consideration.	Planning permission for extraction of gravel and subsequent filling. Disposal licence. Section 222 consent.		
		Tipping in all the above properties considered as a whole		£1,218,000	
		TOTAL VALUE OF THE ABOVE PROPERTIES VALUED AS A WHOLE		£2,245,000	

SCHEDULE

B. PROPERTIES HELD FOR FUTURE EXPLOITATION OF MINERALS AND/OR LANDFILL

Ref. No.	Property	Description and Tenure	Existing Consents	Capital Value in Existing State	Remarks
2.	Sipson Farm, West Drayton, Middlesex.	20 acres of agricultural land. Freehold. Subject to Grazing Licence.		£50,000	
3.	Hollybush Lane, Denham, Bucks. (part)	56 acres. Poor quality restored land suitable only for rough grazing. Freehold.		£84,000	Some possibility of further filling.
5.	Trout Road, West Drayton, Middlesex.	11 acres grass scrubland divided into three parcels of irregular shape by sewers. The site is transversed by a water main. Freehold. Option Agreement for purchase from the Drinkwater Group for £22,000 when worked and restored or five years from 2nd February 1979, whichever is earlier.	Planning permission for the extraction of minerals and in fill. Section 222 consent.	£75,000	
6.	Packet Boat Lane, Cowley, Middlesex.	24 acres former sand and gravel pit backfilled with domestic refuse prior to 1920. Freehold. Vacant.		£60,000	Some possibility of extracting old fill.
8.	Hogs Back, Farnham, Surrey. (South)	5.5 acres agricultural land. Freehold.		£17,000	Indicated for sand extraction on the Farnham Town Map (1972).
9.	Pickeridge Farm, Fulmer, Bucks. (Large)	185.5 acres comprising Low Farm and Pickeridge Farm. The latter comprises farm-house, outbuildings and two agricultural cottages. A substantial part of this site has already been worked in conjunction with the construction of the M40. Freehold. Pickeridge Farm (156.5 acres) in hand. Low Farm (29 acres) is subject to an agricultural tenancy at a rent of £1,054 per annum.		£640,000	62 acres are designated in the Draft Buckinghamshire Minerals Subject Plan as a preferred area for sand and gravel extraction (Area 10).
		TOTAL FOR PROPERTIES HELD FOR FUTURE EXPLOITATION		£926,000	

SCHEDULE

C. PROPERTIES OCCUPIED FOR OTHER OPERATIONAL PURPOSES

Ref. No.	Property	Description and Tenure	Existing Consents	Capital Value in Existing State	Remarks
10.	St. John's Road, Bashley, New Milton, Hants.	2.25 acres. Comprising:— (a) Field of 1.5 acres grazing land. (b) Two-bed detached bungalow. (c) Transport and maintenance depot, comprising:— Offices: 400 sq. ft. Workshops: 2,000 sq. ft. Stores: 2,500 sq. ft. Hardstanding: 10,000 sq. ft. Freehold	Planning permissions for all buildings in the transport and maintenance depot.	£120,000	
13.	Stockley Road, West Drayton, Middlesex.	11 acre site divided into 2 parts: (a) 5 acres with the following accommodation: 1. Offices: 4,000 sq. ft. 2. Portakabin offices: 1,200 sq. ft. 3. Workshop/Garage: 10,400 sq. ft. 4. Storage: 1,700 sq. ft. 5. Plant Repair Shop: 3,000 sq. ft. 6. Wash-down Bays, Hardstanding & Open Storage (b) 6 acres with the following accommodation:— 1. Reclamation Shed 2. No. 1 Stacey Cottages 3. Hardstanding (concrete.) Held under lease dated 11th June, 1981 for the personal occupation of the Drinkwater Group only for 5 years at no rent from 1st May, 1981.	Planning permission for offices requires that use to cease on 29th September, 1984 and the building to be removed.	—	
14.	West Lane, Sittingbourne, Kent.	0.5 acres Depot. Comprises:— (a) Portable office building 225 sq. ft. (b) Maintenance workshop 2,400 sq. ft. (c) Sundry store building, toilets, and washing down bay and hardstanding. (d) Waste transfer station. Leasehold for term of 21 years from 20th April, 1971, at an annual rental of £400 with 7 year reviews. Present rent £1,500 p.a. Next review June 1985.	Planning permission for offices, toilets, vehicular repair and maintenance workshop and the installation of a compactor unit. Disposal Licences.	£25,000	
		TOTAL FOR PROPERTIES OCCUPIED FOR OTHER OPERATIONAL PURPOSES		£145,000	

SCHEDULE

D. OTHER PROPERTIES

Ref. No.	Property	Description and Tenure	Existing Consents	Capital Value in Existing State	Remarks
3.	Hollybush Lane, Denham, Bucks. (Part)	61.5 acres farm. Farmhouse, outbuildings and two cottages. Freehold. Subject to an application to the Agricultural Land Tribunal for tenancy settlement. Rent from 25.3.81 agreed at £1,200 per annum.		£75,000	
7.	Hogs Back, Farnham, Surrey. (North).	2.3 acres agricultural land. Freehold.		£7,000	
9.	Pickeridge Farm, Fulmer, Bucks. (Small).	13.5 acres. Freehold.		£16,000	
11.	Lyne Road, Virginia Water, Surrey.	4 acres grassland. Freehold.		£8,000	
		TOTAL FOR OTHER PROPERTIES		£106,000	

APPENDIX V

FURTHER INFORMATION RELATING TO ATTWOODS

1. **Disclosure of Interests**
(i) The interests of the Directors and their families in the share capital of Attwoods as shown in the Register maintained pursuant to the Companies Act, 1967, are as follows:—

	Ordinary Shares Beneficial	Ordinary Shares Non-beneficial
D. A. Wickins	20,000	—
J. H. Feltham	7,500	—
N. Chavasse	14,600	—
M. K. Foreman	850,000	—
R. A. Smith	1,000	—
J. Lane	20,000	500,000

(ii) The following interests have been notified to the Directors of Attwoods under the Companies Act, 1967 as interests of 5 per cent. or more:—

	Assuming full implementation of the Offer: Ordinary Shares	
SCA Group	1,019,586	16.1 per cent.
Attwood Securities Limited (a wholly owned subsidiary of SCA Group)	1,200,000	18.9 per cent.
M. K. Foreman	850,000	13.4 per cent.
Trustees of J. R. C. Maybank Settlement	684,371	10.8 per cent.
Executors of Mr. J. C. Maybank's Will	500,000	7.9 per cent.

(iii) The following are particulars of the service agreements of Directors of Attwoods:—
(a) Mr. M. K. Foreman will serve Attwoods as a Managing Director for a term of five years from 1st April, 1982 at a salary at the rate of £32,000 per annum subject to such increase as the Board may from time to time decide.
(b) Mr. N. Chavasse will serve Attwoods as a Managing Director for a term of five years from 1st April, 1982 at a salary at the rate of £32,000 per annum subject to such increase as the Board may from time to time decide.
No other Director has a service agreement.
(iv) Save as disclosed in paragraph 3 below, no Director has any interest, direct or indirect, in any assets which since 26th March, 1980 have been or are proposed to be acquired by, disposed of by, or leased to Attwoods or any of its subsidiaries.
(v) Save as disclosed in paragraph 3 below no Director has a material interest in any contract or arrangement entered into by Attwoods or any of its subsidiaries since 26th March, 1980.

2. **Articles of Association**
The following is a summary of the principal provisions of Attwoods' Articles of Association:—
(i) The present authorised share capital of Attwoods is £1,875,000 divided into 7,500,000 Ordinary Shares of 25p each ranking *pari passu* in all respects.
(ii) Subject to the provisions of the Companies Act, 1948 all or any of the special rights or privileges attached to any class of shares in the capital of Attwoods may be altered or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of the class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of the shares of the class. To every such separate Meeting the provisions of the Articles relating to General Meetings shall *mutatis mutandis* apply but so that the necessary quorum shall be not less than two members personally present and holding or representing by proxy one third of the issued Shares of the class and that any holder present in person or by proxy may demand a poll.
(iii) On a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a representative shall have one vote and in the case of a poll every member present in person or by proxy shall be entitled to one vote for every share held by him.
(iv) The Directors are not required to hold any qualification shares.
(v) The Directors are empowered to exercise all the powers of Attwoods to borrow money and to mortgage or charge all or any part of its undertaking, property and uncalled capital and to issue debentures and other securities but are prohibited from allowing the aggregate amount for the time being outstanding in respect of such borrowings (other than inter-group borrowings) to exceed a sum equal to one and one-half times the aggregate amount of the paid-up share capital and capital and revenue reserves of Attwoods and its subsidiaries without the sanction of an Ordinary Resolution of Attwoods.
(vi) Each Director is entitled to a fee of £500 p.a. for his services as a Director (or at such higher rate as shall be determined in General Meeting) and the Chairman is entitled to a further £500 p.a. for his services as Chairman. Attwoods may also determine in General Meeting to pay the Directors additional remuneration and such additional remuneration shall be divided amongst them in such proportion and manner as the Directors may agree, or failing agreement, equally. The Directors are also entitled to be repaid all reasonable travelling, hotel and other expenses which they incur in attending Board, Committee or General Meetings of Attwoods or otherwise in or about the business of Attwoods. The Directors are also empowered to pay special remuneration to any Director who performs any special or extra services at the request of Attwoods in addition to or in substitution for any ordinary fee or remuneration to which he is entitled as a Director and such special remuneration may be by lump sum, salary, commission, participation in profits or otherwise as may be arranged.
(vii) The Directors may procure the establishment and maintenance of or participation in and contribution to any contributory or non-contributory pension or superannuation funds or insurance arrangements for the benefit of, and pay, provide for or procure the grant of donations, gratuities, pensions, allowances or emoluments to any persons (including Directors and other officers) who are or were at any time in the employment of Attwoods or its subsidiaries or their predecessors in business or the wives, widows, families or dependants of any such persons.

BASE LENDING RATES

A.B.N. Bank	13 %	Grindlays Bank	‡13 %
Allied Irish Bank	13 %	■ Guinness Mahon	13 %
American Express Bk.	13 %	■ Hambros Bank	13 %
Amro Bank	13 %	Heritable & Gen. Trust	13 %
Henry Ansbacher	13 %	■ Hill Samuel	§13 %
Arbuthnot Latham	13 %	C. Hoare & Co.	†13 %
Associates Cap. Corp.	13 %	Hongkong & Shanghai	13 %
Banco de Bilbao	13 %	Kingsnorth Trust Ltd.	14 %
BCCI	13 %	Knowsley & Co. Ltd.	13½ %
Bank Hapoalim BM	13 %	Lloyds Bank	13 %
Bank Leumi (UK) plc	13 %	Mallinhall Limited	13 %
Bank of Cyprus	13 %	Edward Manson & Co.	14 %
Bank Street Sec. Ltd.	15 %	Midland Bank	13 %
Bank of N.S.W.	13 %	■ Samuel Montagu	13 %
Banque Belge Ltd.	13 %	■ Morgan Grenfell	13 %
Banque du Rhone et de la Tamise S.A.	13½ %	National Westminster	13 %
Barclays Bank	13 %	Norwich General Trust	13 %
Beneficial Trust Ltd.	14 %	P. S. Refson & Co.	13 %
Bremar Holdings Ltd.	14 %	Roxburghe Guarantee	13½ %
Brit. Bank of Mid. East	13 %	E. S. Schwab	13 %
■ Brown Shipley	13 %	Slavenburg's Bank	13 %
Canada Perm't Trust	14 %	Standard Chartered	‖13 %
Castle Court Trust Ltd.	13½ %	Trade Dev. Bank	13 %
Cavendish G'ty T'st Ltd.	15½ %	Trustee Savings Bank	13 %
Cayzer Ltd.	13½ %	TCB Ltd.	13 %
Cedar Holdings	13 %	United Bank of Kuwait	13 %
■ Charterhouse Japhet	13 %	Whiteaway Laidlaw	13½ %
Choulartons	14 %	Williams & Glyn's	13 %
Citibank Savings	¶12½ %	Wintrust Secs. Ltd.	13 %
Clydesdale Bank	13 %	Yorkshire Bank	13 %
C. E. Coates	14 %		
Consolidated Credits	13½ %		
Co-operative Bank	*13 %		
Corinthian Secs.	13 %		
The Cyprus Popular Bk.	13 %		
Duncan Lawrie	13 %		
Eagil Trust	13 %		
E.T. Trust	13½ %		
Exeter Trust Ltd.	14 %		
First Nat. Fin. Corp.	16½ %		
First Nat. Secs. Ltd.	16½ %		
Robert Fraser	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposit 10%, 1-month 10.25%. Short term £8,000/12 month 12.6%.
† 7-day deposits on sums of: under £10,000 10¼%, £10,000 up to £50,000 11%, £50,000 and over 11½%.
‡ Call deposits £1,000 and over 10%.
§ 21-day deposits over £1,000 11½%.
‖ Demand deposits 10¼%.
¶ Mortgage base rate.

APPOINTMENTS

Top salesman joins Telecom

BRITISH TELECOM has appointed a top salesman to spearhead its sales force. He is Mr Peter Chamberlain, who has come from Rank Xerox and Mars as Telecom's director of sales for business products and systems.

Mr Chamberlain worked for Xerox for 12 years, the final two-and-a-half as branch manager for the West of England. When he took over the branch, it was 16th out of Xerox's 17 branches. When he left, it was top of the league. Mr Chamberlain joined Mars in July 1978, to become divisional director to re-vamp the Klix vending machine division, where, in what is an intensely competitive market, he succeeded in achieving a 25 per cent share of the market.

He will be in charge of British Telecom's new sales force set up under British Telecom Enterprises, of which Mr Peter Benton is chairman. It is aimed at reacting quickly to marketing conditions and meeting the communications needs of Telecom's business customers.

★

Sir John Moores, chairman of THE LITTLEWOODS ORGANISATION, has retired. He is succeeded by Mr John Clement, chairman and chief executive of the Unigate Group, who takes over as non-executive chairman.

★

Mr W. R. E. Thomson, a joint managing director of THE BEN LINE STEAMERS and a director of Ben Line Containers will assume the chairmanship of both companies following the retirement of Mr M. F. Strachan on March 31.

Mr R. R. MacLeod, a joint managing director of The Ben Line Steamers and a director of Ben Line Containers will retire from both these appointments on December 31 and will join LLOYDS REGISTER OF SHIPPING as chairman-elect.

★

At GENERAL FOODS, Banbury, Mr Michael Guest has been appointed operations director, succeeding Mr Dennis Hinks who becomes business director, while Mr Rod Bishop returns to Banbury from GF's subsidiary in Brazil as marketing director. The appointments take effect May 1.

★

Mr C. F. Alsop will become chairman and will remain chief executive of HOWARD MACHINERY following the retirement of Mr Peter Colectough.

★

Mr Chris Myatt is the new managing director of carpet manufacturers, THOMAS WITTER AND CO., in succession to Mr Roger Leach, who has left the Tarmac Group. In addition, Mr Myatt is chief executive of Thomas Witter Industrial Products.

★

Mr John R. Catherside has been appointed a director of commodity brokers, CHARRINGTON AND WOOD, responsible for dealing in precious metals. He continues as managing director of J. R. C. Management.

★

Mr Roy C. Jennings, managing director of CHIPMAN, who retires on March 31, will be succeeded by Mr David R. Knight formerly general marketing manager of FBC. Mr Jennings is being retained as a consultant.

★

Mr Michael Nuttall has been appointed managing director of MINALEX, Gloucester, a subsidiary of Alcan Aluminium (UK).

★

Mr John Marks is becoming a non-executive director of TREBOR following 11 years as chairman. He will continue as chairman of the holding company, Trebor Group.

★

Mr Hugh Bryan, development manager, London, has been appointed a director of MILLER BUCKLEY DEVELOPMENTS. He joined Miller Buckley late last year from Barratts.

★

Mr Kenneth R. Kemp, chairman of Smith and Nephew Associated Companies, has been appointed a non-executive director of BEMROSE CORPORATION.

★

The Economist Intelligence Unit (EIU) is to acquire the applications division of Communications Studies and Planning (CS and P), a part of Information Technology Group. The EIU (the research, consultancy and publishing organisation, part of The Economist group) will establish a new division to be known as EIU INFORMATICS, to specialise in information technology, office automation and communications. The managing director designate is Mr Roger Pye, who has been running the applications division of CS and P. He is joined by Mr Ian Young and six other colleagues from the division.

★

The NATIONAL COMMERCIAL BANK OF SAUDI ARABIA has appointed Mr J. J. Graffey-Smith as London representative in succession to Mr W. Scott Perry who has resigned to devote more time to his private investment interests. Mr Graffey-Smith recently completed five years as resident director in Saudi Arabia for the Allied Medical Group, and will take up his new post on April 5.

★

The MERCANTILE AND GENERAL REINSURANCE COMPANY has promoted Mr R. E. Snook to be deputy general manager from May 18.

★

MEPC has appointed Mr Roger W. Carey as a general manager from April 1 with responsibilities for Belgium, France, Zimbabwe, Zambia and Ireland. He will continue as managing director of MEPC Ireland.

★

The board of the COUNCIL OF ENGINEERING INSTITUTIONS has elected Mr Gerald James Mortimer as chairman and Dr Wilfred Eastwood as vice-chairman for 1982-83.

★

The LONDON COMMODITY EXCHANGE has appointed Mr David St. C. Harcourt to be chairman from April 6 in succession to Mr P. J. Day.

★

Mr Donald Wilson has been appointed managing director of RANK XEROX (UK). He succeeds Mr Graham Clark who, the company said, has resigned to pursue other business interests. Mr Wilson has spent 17 years with Rank Xerox with responsibilities in sales, service and personnel. Previous positions have included general manager of Singapore and Malaysia and assistant general manager of Rank Xerox Australia. His last post was as regional director for Rank Xerox Operations in Scandinavia, based in the UK.

★

DAVY CORPORATION has appointed Mr Ronald Heron as director of public affairs. He succeeds Mr Richard Smith who will retire at the end of March after a 35-year career with Davy. Mr Heron joins Davy from Eaton Corporation.

★

Mr Russell W. Evans has been appointed a director of EAGLE STAR HOLDINGS and of EAGLE STAR INSURANCE COMPANY. Mr Evans is chairman of the Rank Organisation.

★

The board of WORLDTECH VENTURES (the new organisation established jointly by BSC Industry, Control Data, Co-operative Bank, Pilkington Brothers and Sun Life Assurance) has been constituted as follows: chairman, Lord Harris of Greenwich; managing director, Mr Jack Ward; directors, Mr Terence F. Cave; Mr John Dunbar; Mr Geoffrey Iley; Mr Terence J. Thomas and Mr Richard F. C. Zamboni.

★

Mr J. T. Inglis, managing director of NEI Overseas has been appointed to the board of NORTHERN ENGINEERING INDUSTRIES, following the retirement of Mr G. T. Coughtrie.

★

The GUTHRIE CORPORATION has appointed Mr N. D. Wood to the board and Mr J. M. Green-Armytage as managing director in place of the present joint managing directors, Mr M. J. Gent and Mr I. L. Coates. Mr Gent will remain a non-executive director. Tun Ismail Bin Mohamed Ali, the chairman of Permodalan Nasional Berhad will succeed Mr Gent as chairman of Guthrie and Dato Jaffar Bin Hussein, the chairman of Malayan Banking Berhad will join the board.

★

Dr Charles Suckling has been appointed a member of the ROYAL COMMISSION ON ENVIRONMENTAL POLLUTION in succession to the late Dr Alfred Spinks. Dr Suckling is general manager, research and technology, Imperial Chemical Industries.

★

Mr Brian Lloyd, sales and marketing director of Cardkey Systems has been appointed managing director of ANSAFONE CORPORATION. He succeeds Mr John Evans, who will be joining the boards of Cambell Norton Associates of Irvine California and Lyle Consultants of Houston.

MINISTRY OF THE INTERIOR
COMPANHIA DE DESENVOLVIMENTO DO VALE DO SÃO FRANCISCO
— CODEVASF —
INTERNATIONAL BID NOTICE NO. 10/82

NOTICE

CODEVASF hereby announces that it will receive bids for the design, fabrication, transport, assembly and erection of flow control equipment and constant downstream level adjusting gates for the Codeoplha/Pindoba and Betume projects in the State of Sergipe, on the 13th of April 1982, at its Auditorium on the 14th floor of Edificio Central Brasilia, Setor Bancario Norte, Brasilia, Federal District, Brazil.

National and/or foreign firms with head office in BIRD member countries or in Switzerland may take part in the Bid, provided that they satisfy the requirements specified in Notice No. 10/82 and its attachments.

The Notice and the Technical and Quantity Specification can be acquired on the 9th floor of the aforementioned address.

MANAGEMENT OF GENERAL ADMINISTRATION

Brasilia, 28th of February, 1982.

ATTWOODS PLC
CONTINUED

(viii) A Director who is in any way interested in a contract or proposed contract with Attwoods is obliged to declare his interest at a meeting of the Directors in accordance with Section 199 of the Companies Act, 1948 but no Director or intending Director shall be disqualified by his office from contracting with Attwoods nor shall any contract or arrangement entered into by or on behalf of Attwoods, in which any Director is interested, be liable to be avoided nor shall any Director so contracting or being so interested be liable to account for any profit realised thereby.

(ix) A Director is not entitled (without the sanction of an Ordinary Resolution of Attwoods) to vote in respect of any contract or arrangement in which he is interested nor shall he be counted in the quorum present at the meeting at which the relevant resolution is proposed but that prohibition does not apply to:—
- (a) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him for the benefit of Attwoods;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of Attwoods for which the Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any undertaking by the Director to subscribe for or underwrite shares or debentures of Attwoods;
- (d) any contract or arrangement with any other company in which he is interested only as a director or officer or executive or creditor of that company or as a holder of or a person beneficially interested in shares or other securities of that company; or
- (e) any matter relating to any existing or proposed pension or superannuation fund, scheme, or arrangement or life assurance scheme or arrangement of which or in which the Director may be, or be about to become a member or have, or be about to acquire, any other interest,

and the prohibition does not prevent a Director from being counted in the quorum present at any meeting at which he or any other Director is appointed to hold any office of the Company or at which the terms of any such appointment are arranged and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms thereof.

(x) The Directors are empowered to appoint (and replace) one or more of their number to the office of Chairman, Deputy Chairman, Managing Director, or Joint Managing Director or any other executive office of Attwoods for such periods and at such remuneration as they shall think fit.

3. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by The Enlarged Attwoods Group since 26th March, 1980 and are or may be material:—

(i) Agreements all dated 30th January, 1981 (a) between B. A. Jones, A. D. Jones and C. R. Jones (1) Castlecroft Motor Company Limited (2) and Attwoods (3) for the purchase of the share capital of Castlecroft Motor Company Limited for a cash consideration of £31,434 based on its net asset value at 31st January, 1981; (b) between Castlecroft Service Station Limited (1) and Attwoods (2) for the purchase of the freehold property Castlecroft Service Station, Finchfield, Wolverhampton for £155,000 in cash (c) between Oakhill (Finchfield) Properties Limited (1) and Attwoods (2) for the purchase of freehold shops and flats adjoining Castlecroft Service Station for £50,000 (since sold at the same price) and (d) between Castlecroft Service Station Limited (1) Oakhill (Finchfield) Properties Limited (2) B. A. Jones, A. D. Jones and C. R. Jones (3) and Attwoods (4) for the purchase of plant, equipment and motor vehicles for £61,750 in cash.

(ii) Agreement dated 30th July, 1981 between Attwoods (1) and Wolverhampton & Dudley Breweries Limited (2) for the sale of freehold property at Raglan Street, Wolverhampton for £480,000.

(iii) A Transfer dated 2nd April, 1981 between W. W. Drinkwater and Nearcity Limited ("Nearcity") and two Transfers dated 2nd April, 1981 between Drinkwater Sabey Limited ("Drinkwater Sabey") (a subsidiary of W. W. Drinkwater) and Nearcity whereby certain freehold properties at West Drayton, Harefield and Cowley, Middlesex were sold to Nearcity for £550,000.

(iv) Agreement dated 3rd April, 1981 between Nearcity (1) Maybank Enterprises (Holdings) Limited ("MEH") (2) and Trust Securities Holdings Limited (3) for the purchase by MEH of the entire issued share capital of Holmspring Limited for £290,110 cash. Holmspring owning 11 per cent. of the issued share capital of W. W. Drinkwater.

(v) Agreement dated 3rd April, 1981 between Nearcity (1) MEH (2) and Trust Securities Holdings Limited (3) for the purchase of 80 per cent. of the share capital of W. W. Drinkwater for £2,109,890 cash.

(vi) A Lease dated 11th June, 1981 from Nearcity to Drinkwater Sabey rent free expiring on 30th April, 1986 of the present Drinkwater Group head office at Stockley Road, West Drayton, Middlesex, a Licence from Nearcity to Drinkwater Sabey dated 1st May, 1981 granting an exclusive right without consideration to Drinkwater Sabey to tip waste materials at two tipping areas at Stockley Road until 31st October, 1984 and an Option from Nearcity to Drinkwater Sabey at any time before 31st October, 1989, subject to conditions precedent to take a licence for a period of five years to deposit waste upon other land at Stockley Road, West Drayton upon payment of a fee of 40p for each cubic metre of air space filled with waste, such rights conferred by Nearcity being collateral to the transactions referred to above.

(vii) An Agreement dated 1st May, 1981 between MEH and Mr. Foreman under which Mr. Foreman sold his 5 per cent. shareholding in W. W. Drinkwater to MEH in consideration of the issue to him credited as fully paid of 500,000 Ordinary shares of £1 each in MEH (representing 16.67 per cent. of the issued share capital of MEH).

(viii) A Deed dated 1st May, 1981 between MEL and Mr. Foreman under which the parties agreed to charge their shareholdings in MEH to National Westminster Bank Limited and agreed upon a dividend policy for MEH, and containing cross-options with regard to the share capital of MEH. This contract was determined on 25th March, 1982.

(ix) An Agreement dated 9th November, 1981 between MEL (1) Burgess Investments Limited (2) L. F. Burgess (3) and Burgess Maybank (4) under which MEL transferred 51 per cent. of the share capital of Burgess Maybank to Burgess Investments Limited for £1 and assigned Loan Notes amounting to £681,877 to Burgess Investments Limited for £70,000.

(x) An Agreement dated 29th July, 1980 and a Supplemental Agreement dated 17th October, 1980 between Express Newspapers Limited (1) Express Newspapers Western Limited (2) MEL (3) Hobbs and Maybank Limited (4) and CPC (5) whereby MEL purchased for £76,000 cash the 60 per cent. of the issued share capital of CPC not already owned by it.

(xi) Several Agreements and Board Minutes all dated 30th July, 1980 under which MEL acquired Ordinary shares in MPI for £7,400 and subscribed £90,000 for additional Ordinary shares in the capital of MPI.

(xii) Agreement dated 2nd March, 1982 between Mr. Foreman (1) and MEL (2) whereunder MEL agreed (conditional upon the approval of the shareholders of MEL in general meeting which was obtained on 25th March, 1982) to acquire 16.67 per cent. of the issued share capital of MEH in consideration of the allotment credited as fully paid to Mr. Foreman of 257,875 Ordinary shares of £1 each in the capital of MEL.

(xiii) Memorandum dated 1st March, 1982 detailing various disposals by MEL and its subsidiaries of a total of 3,000,000 Read International Limited shares since 2nd March, 1980 for an aggregate net consideration of £4,201,811.

(xiv) Agreement dated 2nd March, 1982 between the Directors of MEL (1) the holders of 1,010,991 Ordinary shares in the capital of MEL (2) Mr. Foreman (3) MEL (4) Attwoods (5) and Robert Fleming (6) whereby (inter alia) such shareholders undertook to accept the Offer and Robert Fleming agreed to purchase the Attwoods Consideration Shares (other than those issued to Mr. Foreman) and such shareholders (other than Mr. Foreman) agreed to make part of their Attwoods Consideration Shares available for placing.

(xv) Agreement dated 2nd March, 1982 between Attwoods (1) BCA Group (2) and Robert Fleming (3) relating to the placing by Robert Fleming of up to 3,391,874 Attwoods Consideration Shares.

4. General Information

(i) Since 26th March, 1980 and save as disclosed herein:—
- (a) no capital of Attwoods or of any of its subsidiaries has been issued or is proposed to be issued fully or partly paid up otherwise than for cash;
- (b) no capital of Attwoods or of any of its subsidiaries has been issued or is proposed to be issued for cash;
- (c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of Attwoods or any of its subsidiaries.

(ii) No capital of Attwoods or of any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

(iii) The aggregate emoluments of the Directors of Attwoods for the eighteen months ended 31st July, 1981 were £91,052. It is estimated that the aggregate emoluments of the Directors of Attwoods for the financial year to 31st July, 1982 will be approximately £68,000.

(iv) Save as disclosed in paragraph 6 (xxiii) in Appendix II above the Directors of Attwoods are not aware of any litigation or claims of material importance pending or threatened against the Enlarged Attwoods Group.

(v) The expenses of the transactions referred to in this document payable by Attwoods are estimated at £340,000 (exclusive of Value Added Tax where appropriate).

(vi) Sinder Hamlyn, J. R. Eve and West, Wake, Price & Co. have given and have not withdrawn their respective written consents to the issue of this document, with the inclusion therein of their respective reports and letters and the references thereto, in the forms and contexts in which they appear.

(vii) Robert Fleming has given and has not withdrawn its written consent to the issue of this document with the inclusion therein of its letter and its name and the references thereto in the form and context in which they appear.

5. Documents Available for Inspection

Copies of the following documents may be inspected during normal business hours at the offices of Robert Fleming & Co. Limited, 8 Crosby Square, London EC3A 6AN, on any weekday (public holidays and Saturdays excepted) up to 8th April, 1982:—
- (i) the Memorandum and Articles of Association of Attwoods;
- (ii) the document dated 2nd March, 1982, containing the Offer;
- (iii) the audited accounts of Attwoods and its subsidiaries for the financial year ended 31st January, 1980 and the eighteen month period ended 31st July, 1981;
- (iv) the audited accounts of MEL and its subsidiaries for the two financial years ended 30th September, 1981;
- (v) the audited accounts of the Drinkwater Group for the two financial periods from 1st November, 1979 to 30th September, 1981;
- (vi) the report of the joint reporting accountants set out in Appendix II together with a statement of adjustments;
- (vii) the valuers' report on the principal properties held by the Drinkwater Group set out in Appendix IV;
- (viii) the service agreements of the Directors referred to in paragraph 1 (III) above;
- (ix) the material contracts referred to in paragraph 3 above;
- (x) the consents referred to in paragraph 4, (vi) and (vii) above.

Dated 26th March, 1982.

LEGAL NOTICES

IN THE MATTER OF L & B CANVAS PRODUCTS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 30th day of April, 1982, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned PATRICK GRANVILLE WHITE of 1 WARDROBE PLACE, CARTER LANE, LONDON EC4V 5AJ the Joint Liquidator of the said Company, and, if so required by notice in writing from the said Joint Liquidators, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 15th day of March 1982.

ART GALLERIES

BLACKMAN HARVEY GALLERY, 11, Masons Avenue, EC2. 01-726 2502. GRAHAM CLARKE—Watercolours, Drawings, Etchings. 18th March-8th April. Monday-Friday 9-5.30 p.m. Saturday 10 am-2 pm.

BROWSE & DARBY, 19 Cork St., W1. 01-734 7984. British Paintings & Drawings.

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ALPINE GALLERY, 74, South Audley Street, W1. 602 1782. ENGLISH WATERCOLOURS, 1750-1950 22-27 March. 10-5.30, 10-1 Sat.

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BLOND FINE ART, 33, Sackville St., W1. 437 1230. ERIC GILL — Prints and Drawings. Until 24 April.

WHITECHAPEL ART GALLERY, Whitechapel High St. 377 0107. Tube Aldgate E. To 2 May FRIDA KAHLO & TINA MODOTTI/ANSELM KIEFFER Sun.-Fri. 11-5.50, cl. Sat. and 8-12 April. Free.

COMPANY NOTICES

URQUIJO INTERNATIONAL N.V.
US \$30,000,000 FLOATING RATE NOTES DUE 1988

For the six months, March 23, 1982 to September 22, 1982 the Notes will carry an interest rate of 16.50% per annum.

The interest due September 23, 1982 against Coupon No. 7 will be US \$79.22 and has been computed on the actual number of days elapsed (184) divided by 360.

The principal paying agent
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter,
Luxembourg.

GOLD FIELDS GROUP
VOGELSTRUISBULT METAL HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)

NOTICE IS HEREBY GIVEN that the REGISTER OF MEMBERS will be CLOSED from 30 April to 6 May 1982, both days inclusive, for the purpose of the Annual General Meeting.

By Order of the Board
C. E. WENHER
London Secretary

London Office:
49, Moorgate,
London EC2R 6BQ.
25th March, 1982.

PUBLIC NOTICE

METROPOLITAN BOROUGH OF CALDERDALE. £1,800,000 Bills issued 24/3/82 at the rate of 12 33-64ths% to mature 23/6/82. Total applications were £9,000,000 and there were £1,800,000 Bills outstanding.

CLUBS

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St. 734 0557.

NEGIT S.A.
10a, BOULEVARD ROYAL, LUXEMBOURG
NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the twelfth annual general meeting of Negit S.A. will be held at the registered office in Luxembourg, 10a, Boulevard Royal, on:

FRIDAY, 9th APRIL, 1982
at 12 noon

for the purpose of considering the following agenda:
1. To receive and adopt the directors' report and the report of the statutory auditor for the year to 31st December, 1981.
2. To receive and adopt the balance sheet and statement of operations as at 31st December, 1981.
3. To approve payment of directors' fees.
4. To grant discharge to the directors and the statutory auditor in respect of the execution of their mandates to 31st December, 1981.
5. To receive and act on the statutory nomination for election of the statutory auditor for a new term of one year.
6. To appropriate the earnings. The Board of Directors of Negit S.A., held on 4th March, 1982 has decided to propose to pay a dividend of U.S.\$0.13 payable on 10th May, 1982.
7. To transact any other business.

The resolutions will be carried by a majority of those present or represented.

The shareholders on record at the date of the meeting are entitled to vote or give proxies. Proxies should arrive at the registered office of the company no later than twenty-four hours before the meeting.

The present notice, together with a form of proxy, has been sent to all registered shareholders on record at 22nd March, 1982.

Forms of proxy are available on request at the registered office of the company.

By Order of the Board of Directors.
J. PIERSON, Secretary.
Luxembourg, 22nd March 1982.

ELECTRICITE DE FRANCE
National Service
Public Corporation of the French State (Law on nationalisation of Electricity and Gas of April 8, 1946)
Registered Office:
2, rue Louis Murat, PARIS (8ème)

BONDS 8.80% 1971-1986 OF U.S.\$1,000

Numerical List
1. Of series including the 181 bonds drawn by lot on March 9, 1982 (eighth drawing) making up, with the 819 repurchased bonds, the totality of the nominal amount U.S.\$800,000 to be redeemed on May 1, 1982.
14,318 to 14,488
2. Of series drawn by lot at the previous drawing, among which figure the bonds not yet presented for reimbursement.

Drawing of March 4, 1981—
Reimbursement May 1, 1981
13,028 to 13,823

These bonds will be redeemed at U.S.\$1,000 at the office of the FRENCH AMERICAN BANKING CORPORATION in NEW YORK and at the offices of the following banks:
BANQUE NATIONALE DE PARIS, PARIS
BANQUE DE PARIS ET DES PAYS BAS, PARIS
CREDIT LYONNAIS, PARIS
SOCIETE GENERALE, PARIS
CREDIT COMMERCIAL DE FRANCE, PARIS
LAZARD FRERES ET CIE, PARIS
BANCA NAZIONALE DEL LAVORO, ROME
SOCIETE GENERALE DE BANQUE, BRUXELLES
BANQUE DE PARIS ET DES PAYS BAS POUR LE GRAND DUCHE DE LUXEMBOURG, LUXEMBOURG
DEUTSCHE BANK A.G., FRANCFORT
ALGEMENE BANK NEDERLAND N.V., AMSTERDAM
BARCLAYS BANK LTD., LONDRES

Outstanding amount: U.S.\$13,600,000.

AZIENDA AUTONOMA DELLE FERROVIE DELLO STATO
U.S. \$225,000,000
Floating Rate Notes 1988
Convertible until March 1988 into 11¼ per cent. Bonds 1993

For the six months period 25th March, 1982 to 27th September, 1982

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 15 1/16 per cent per annum, and that the interest payable on the relevant interest payment date, 27th September, 1982, against Coupon No. 3 will be U.S.\$395.57.

S.G. Warburg & Co. Ltd.
Agent Bank

MURATA MANUFACTURING COMPANY, LTD.
U.S.\$40,000,000 5¼% Convertible Bonds Due 1996

To the Bondholders:

We, Murata Manufacturing Company, Ltd., hereby notify that as a result of an issuance of 4 million shares of its common stock to the public at the price of Yen 1,220 per share on 20th March, 1982, the Conversion Price of the above-captioned Bonds has been adjusted pursuant to Condition 5, paragraph (C), sub-paragraph (v) of the Terms and Conditions of the Bonds from Yen 2,190 to Yen 2,168.50 per share, effective as from 20th March, 1982, Tokyo time.

MURATA MANUFACTURING COMPANY, LTD.
26-10, Tenjin 2-chome,
Nagaokakyo-shi, Kyoto, Japan

28th March, 1982

CORRECTED NOTICE
TAUERNAUTOBAHN AKTIENGESELLSCHAFT
U.S.\$30,000,000 8¼% Guaranteed Bonds 1987

Citibank, N.A., as Principal Paying Agent, announces that Bonds for a nominal value of U.S.\$3,000,000 were purchased for the March 15, 1982 Redemption.

The principal amount outstanding after March 15, 1982, is U.S.\$27,000,000.

Citibank, N.A., London

BANK OVERSEAS HOLDINGS PLC
TO HOLDERS OF THE COMPANY'S AUSTRALIAN \$12 MILLION 11¼% GUARANTEED LOAN NOTES 1983

NOTICE IS HEREBY GIVEN that the Annual Report and Accounts of Bank Overseas Holdings PLC for the year ended 31st October 1981 are available from N. M. Rothschild & Sons Limited, New Court, St. Swithins Lane, London, EC4 and the other Paying Agents named on the Loan Note certificates.

25th March 1982
S. C. OWERS
Secretary

BANK OVERSEAS HOLDINGS PLC
TO HOLDERS OF THE COMPANY'S CANADIAN \$20 MILLION 9½% GUARANTEED LOAN NOTES 1982

NOTICE IS HEREBY GIVEN that the Annual Report and Accounts of Bank Overseas Holdings PLC for the year ended 31st October 1981 are available from the Bank of Montreal, 47 Threadneedle Street, London, EC2 and the other Paying Agent named on the Loan Note certificate.

26th March 1982
S. C. OWERS
Secretary

ASICS CORPORATION

NOTICE TO EDR HOLDERS

Further to notice of January 13, 1982 The Chase Manhattan Bank, N.A. London as Depositary informs EDR holders that the free distribution of shares has now been received in Tokyo. Accordingly EDR holders should now present coupon No. 1 in order to claim their entitlement at the offices of the Depositary, Woolgate House, Coleman Street, London EC2P 2HD or the Depositary's Agent, Chase Manhattan Bank Luxembourg S.A., 47, Boulevard Royal, Luxembourg.

EDR holders are further advised that entitlements in multiples of 1,000 shares will be available in the form of EDRs and holders should submit delivery instructions when presenting coupon No. 1. In addition, registration and delivery instructions should be submitted at the same time in relation to entitlements of less than 1,000 shares which will be available for delivery in Tokyo.

A further notice will be published as soon as practicable in connection with the cash dividend.

THE CHASE MANHATTAN BANK, N.A.
London, as Depositary.
March, 1982.

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PUBLISHED IN LONDON & FRANKFURT

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WORLD STOCK MARKETS

Early Wall St rally of 4.5

AFTER EASING afresh at the outset on meeting further short-term profit-taking, Wall Street resumed its recent good rally in fairly active early dealings.

The Dow Jones Industrial Average was up 4.57 at 827.91 on balance at 1 pm, after initially losing two points more. The NYSE All Common Index was ahead 23 cents at $65.23, while turnover came to 36.03m shares, against Wednesday's 1 pm level of 36.50m.

Analysts said institutions with large cash positions are continuing to buy stock, providing support to the market despite worries about the direction of U.S. interest rates and the outlook for corporate earnings.

Several companies have projected poor first-quarter earnings and their stock prices have fallen as a result.

Richardson-Vicks, which expects lower earnings for both its fiscal third-quarter ending March 31 and the full year, was off 1⅞ to $22. Republic Steel shed ¼ to $21 after projecting a first-quarter loss. General Nutrition reported sharply lower profits and retreated 1⅛ to $10⅛.

Airline stocks were active but lower, causing the Dow Jones Transportation index to lose almost two points. Many carriers have been experiencing financial difficulties as a result of the recession and intense fare wars.

The volume leader was Transworld, off $1 at $19⅛. A block of 460,000 shares were traded at $18⅛. Delta was the second most active, down 1⅛ to $29⅛. A block of 458,400 Delta shares were moved at $29⅛.

A block of 668,800 shares of Dana changed hands at $25⅛, unchanged, making it the third most active issue. Other heavily-traded stocks included Cities Service, up 2⅛ to $30, Petrolane, unchanged at $13⅛, and Ryder Systems, down $1 at $26⅛.

THE AMERICAN SE Market Value Index improved 1.97 to 261.91 at 1 pm. Volume 2.69m shares.

Closing prices for North America were not available for this edition.

Canada

The Oils group put on the best performance on mixed Canadian markets yesterday morning. The Toronto Composite Index hardened 1.5 to 1,617.4, while the Oil and Gas index gained 38.3 to 2,631.1. However, Golds receded 28.8 to 2,251.7 and Metals and Minerals 25.5 to 1,479.6.

Tokyo

An easier tendency prevailed yesterday in fairly active trading, breaking the sharp rally of recent sessions. The downturn on Wall Street overnight dampened sentiment and prompted profit-taking in some Blue Chips and other Populars.

Also, interest in Light Electricals was overshadowed by the postponement of videodisc sales launches in Japan by Victor Japan and Matsushita Electric. However, Victor added Y20 at Y1,920 and Matsushita closed steady at Y1,050.

The Nikkei-Dow Jones Average, which had rebounded 305 points in the past four business days, receded 12.15 to 7,175.16. The Tokyo SE index shed 1.03 to 534.81, while volume reached 380m shares (300m).

Sony lost Y30 to Y3,270, Nippon Electric Y6 to Y730, Toyota Motor Y19 to Y891, Sharp Y12 to Y695, Pioneer Electronic Y30 to Y1,450, Olympus Y20 to Y855 and Kyoto Ceramic Y50 to Y3,300.

Construction companies, in contrast, rose on bargain hunting, while other low-priced Domestic issues were mixed.

A number of Natural Resources issues advanced, led by speculative gold discoverer Sumitomo Metal, which forged ahead Y100 to an all-time high of Y810.

Germany

Bourse prices generally relinquished a portion more of their recent rise after an initial upturn faded. The Commerzbank index ended 4.2 easier at 718.6.

Brokers said that a short early period of buying activity yesterday, reportedly led by British addresses, sagged amid investor concern regarding the strong U.S. dollar and the foggy outlook for U.S. interest rates.

As a sector, Steels proved an exception to the market downtrend after news that management and labour have reached a settlement that has ended tough wage talks in the industrial Ruhr district, which were accompanied by some strike action affecting most of the major companies in the group. Kloeckner-Werke gained DM 1.80, Thyssen 80 pfennigs and Hoesch 40 pfennigs.

Machine Makers weakened. Linde fell DM 4.20 to DM 304 despite its announcement of an unchanged 1981 dividend and expectations of steady profit and higher sales for 1982. GHH and KHD were DM 3.50 and DM 2.20 lower respectively.

Lower Banks featured falls of DM 2 apiece for Deutsche Bank and Dresdner Bank and a decline of DM 1.10 for Commerzbank. Brokers again speculated that, with the presentation of 1981 annual results of all three major banks to come during the next two weeks, investors are tending to trim their Bank shares holdings for fear of being caught off-guard by gloomy reports.

Australia

Following Wednesday's lively rally, stocks tended to ease initially yesterday, but later picked up to end mixed to higher on balance.

The Jackson South No. 1 well encouraging oil flow news continued to buoy partners in the well. Claremont added 12 cents at A$1.08 for a two-day rise of 28 cents. CSR, through its Delhi Oil interest, was 6 cents higher at A$3.34, while Vamgas ended 10 cents firmer at A$6.10. Santos, up 20 cents the previous day, was unchanged at A$4.55. Oilco put on 5 cents more to A$33.00.

Overall market leader BHP, which reported a sharp fall in raw steel production in February, followed Wednesday's recovery of 22 cents with an early decline to A$7.60 yesterday but subsequently picked up to A$7.68, unaltered on the day.

The further improvement in the international Bullion price gave Gold Mining issues a fresh fillip. Poseidon rose 22 cents to A$1.65, GMK 10 cents to A$3.30, Central Norseman 10 cents to A$3.90 and Peko-Wallsend 5 cents to A$4.85.

Johannesburg

Depressed by tax measures contained in Wednesday's South African Budget the stock market retreated over a broad front.

Gold shares, also having to contend with an easier Bullion price after its recent rally, were sharply lower. Kloof dipped R3.50 to R27.75, Buffelsfontein R1.75 to R39.00 and Driefontein R1.25 to R26.00.

Paris

Mixed to higher price levels were recorded in reasonably active trading. Traders said sentiment had been helped by the French Government's decision to tighten exchange controls to take downward pressure off the French franc.

Hong Kong

Shares generally declined in further light trading, with the Hang Seng index slipping 13.20 to 1,210.18.

Combined turnover on the four exchanges amounted to HK$143.99m, compared with a total of HK$100.31m in the short Wednesday session.

Brokers said the easier trend was the result of profit-taking, mostly by small investors after the better market of the past week. They added that the market is consolidating after the serious fall several weeks ago, and could slip lower in the near term, but that overall prospects had brightened considerably.

Among Properties, Cheung Kong lost 60 cents to HK$15.90, HK Land 20 cents to HK$6.85 and Tai Cheung 7.5 cents to HK$2.20.

NEW YORK

Indices

CANADA

Stock	Mar. 24	Mar. 23
AMCA Intl L.	12¼	12¼
Abitibi	17¾	12
Agnico Eagle	7	6⅞

BELGIUM (continued)

Mar. 26	Price Frs.	+ or −
Petrofina	4,485	+130
Royale Belge	6,600	+100
Soc. Gen. Banq.	6,645	+20

HOLLAND

Mar. 25	Price Fls.	+ or −
ACF Holding	78.0	+0.2
Ahold	78.5	−0.5
AKZO	28.2	−0.1

AUSTRALIA

Mar. 25	Price Aust. $	+ or −
ANZ Group	3.72	−0.05
Acrow Aust.	1.62	
Ampol Pet.	1.33	
Assoc. Pulp Pap.	1.80	
Audimco	0.10	
Aust. Cons. Ind.	1.56	−0.01

JAPAN (continued)

Mar. 24	Price Yen	+ or −
Kubota	332	
Kumagai	448	−2
Kyoto Ceramic	3,300	−60
Lion	370	
Maeda Cons.	600	−5
Makita	738	
Marubeni	301	

DENMARK

FRANCE

ITALY

NORWAY

SWEDEN

GERMANY

SWITZERLAND

AUSTRIA

BELGIUM/LUXEMBOURG

SPAIN

SINGAPORE

HONG KONG

SOUTH AFRICA

BRAZIL

COMMODITIES AND AGRICULTURE

EEC drops tin pact objection

By Wong Sulong in Kuala Lumpur

TIN PRODUCING countries, with the exception of Australia, have given up hope of persuading the U.S. to join the Sixth International Tin Agreement, according to Datuk Paul Leong, Malaysian Primary Industries Minister.

Referring to EEC demands for a deterrent against market manipulation to be included in the agreement, Datuk Leong added that ratification of the new pact must be unconditional. None of the countries which were parties to the draft agreed in Geneva last June could attach new conditions to it now, he said.

Datuk Leong commented that those who talk about market manipulation by the so-called mysterious buyer, backed by Malaysians, should also consider the manipulation of "short" sellers on the market. In addition there was the indiscriminate "dumping" of tin from the U.S. strategic stockpile, even when prices were near the floor level of the agreement.

Our Commodities Editor writes: It was confirmed yesterday that the EEC was prepared to join the Tin Agreement, without insisting on extra conditions. The EEC will simply add a statement on signing, making clear its opposition to market manipulation.

Tin prices were lower again on the London Metal Exchange yesterday. Standard grade cash tin closed £60 down at £7,090 a tonne in quiet trading conditions. The decline was attributed to a fall in the Malaysian tin market overnight and the easier trend in gold, which affected all base metal markets.

Japanese aluminium stockpile plan

TOKYO — Japan's International Trade and Industry Ministry said it plans to buy about 7,300 tonnes of primary aluminium from local smelters soon to increase its stockpile from the present 22,000 tonnes, utilising Y2.87bn fund from the stockpiling budget for current fiscal 1981.

The ministry also said it is considering setting aside about Y5bn in the new budget for fiscal 1982 starting next month for a similar purpose.

Reuter

Anti-whaling bid shelved

BY RICHARD MOONEY

THE ANTI-whaling lobby at the International Whaling Commission yesterday drew back from a bid to ban the hunting of sperm whales in the North West Pacific.

The Commission had been expected to confirm a proposed ban in the area, which includes Japan's coastal waters. But at the opening of a 2-day meeting in Brighton on Wednesday the Japanese delegation said Japan would ignore any ban on hunting within its own 200-mile coastal zone.

The Commission decided without a vote yesterday to shelve discussion of the proposed ban until its annual meeting in July.

At the last annual meeting moratoria were imposed on sperm whale hunting in the Northern Atlantic and the Southern Hemisphere. In the North West Pacific a nil quota was set, but it was agreed this decision should be reviewed at this week's meeting. As expected, Japan lodged an objection to the nil quota within the required 90 days. This exempted it from any quota restriction in the area but it has in fact aimed to keep its catch within the previous annual quota of 890 animals.

The anti-whalers' stand in favour of confirmation of the North West Pacific ban was undermined by the report of the scientific committee of the Commission which made no clear recommendation. Committee estimates of the exploitable population of sperm whales in the area, based on different data, varied between 200,000 and 400,000 animals.

Forward population projections are reported to show little variation whether or not the Japanese hunt is continued at the present level.

Japanese scientists claim there are enough sperm whales in the North West Pacific to allow a catch of up to 11,000 a year without damaging stocks. But this figure is fiercely disputed by the conservationists, and some members of the Commission's scientific committee.

Danish clampdown on foot and mouth island

BY HILARY BARNES IN COPENHAGEN

THE CONTROL and observation area for foot and mouth disease was extended yesterday to the whole of the island of Funen and all slaughtering activity on Funen was suspended. The Expo-fyn slaughterhouse normally takes delivery of about 8 per cent of all pigs slaughtered in Denmark.

The veterinary authorities had acted under pressure from other EEC countries, according to Mr Erik Stougaard, head of the veterinary directorate, but he declined to say which countries.

The EEC's veterinary affairs committee is to meet in Brussels next Tuesday to discuss the Danish outbreak, and any possible measures to be taken by the other EEC countries, said Mr Stougaard.

As of yesterday afternoon, there were no new cases, leaving the total number of cases since the first case was confirmed last week at nine. The value of the herds so far destroyed was put at over Kr 10m by Mr Stougaard.

He said the extent of the outbreak so far was not surprising and that all the cases so far were epidemiologically linked.

The authorities have resisted demands from some Funen farmers for vaccination. Once a vaccination programme is started, Denmark risks losing its foot and mouth free designation, a condition for exporting to the U.S., Canada, Australia, Japan and the South American countries, for a long period, as vaccinated animals can act as carriers of the disease.

Without vaccination the country can be declared free of the disease 28 days after the final case is confirmed.

● The UK Ministry of Agriculture announced last night that it was banning, with immediate effect, imports of all meat products—including bacon and ham—from the seven export slaughterhouses that drew their livestock supplies from the island of Funen. Mr Peter Walker said this move was considered necessary in view of the continuing uncertainty about the cause.

Support for record farm price rise

By Larry Klinger in Brussels

THE EUROPEAN Parliament last night was moving towards calling for a record increase in EEC guaranteed farm prices. In spite of the strong rearguard action being fought by the northern European Socialist and some Conservatives and Christian Democrats, the traditional pro-farming vote was expected to prevail.

However the farm price dilemma for the European Parliament which is to vote today on its agriculture committee's recommendation for a 14 per cent standard price rise, has seldom been more pronounced.

The MEPs are being asked to chose between full support for the interest of Europe's farmers and an unreformed Common Agriculture Policy or to remain consistent with their declared policy of seeking to redress the balance in EEC spending away from agriculture to such areas as social and regional policy.

The dilemma is particularly pronounced for Britain's conservatives, some of whom favour a substantial increase above the European Commission's proposed 9 per cent in defiance of the British Government's campaign to hold down the eventual award.

While many amendments have been tabled, ranging from 9 per cent to the full 16.3 per cent being claimed by farmers the Socialist-led challenge to the overall resolution is likely to fail.

One compromise with a fair chance of being adopted is for no specific figure to be stipulated but linking the eventual price rise to Community inflation rates, which on average are running at between 10 and 13 per cent.

Mr Poul Dalsager, EEC Commissioner for Agriculture, also strongly attacked the Committee's recommendations. He emphasised that the measures before the House were not consistent with previous declarations on agriculture and budgetary matters, saying that for the dairy sector alone the Committee's proposals could mean an extra £350m in Community expenditure above the Commission's proposals.

Overall, he said, the Committee's proposals could increase spending by about £754m.

FARMER'S VIEWPOINT

The cheaper food alternative

IN 1975 total UK butter consumption was 512,000 tonnes, of which *home production* was less than 10 per cent. By 1985 consumption is expected to fall to 175,000 tonnes, all of which could be satisfied by home production.

This is no flight of fantasy but the sober forecast of Stuart Grant, retail marketing director of the Milk Marketing Board. Consumption by 1980 had already fallen to 322,000 tonnes.

This calamitous loss of market, while possibly welcomed on health grounds by the anti-cholesterol lobby, contains the seeds of disaster for dairy farmers everywhere.

If Mr Grant is right, there would be no market in Britain for imports either from the EEC or from New Zealand. Undoubtedly the only beneficiary will be the Communist bloc, which will be able to enjoy subsidised EEC butter while devoting its resources to the production of guns.

The cost of this to *FEOGA*, the Common Market farm fund, will of course be serious. The difference between the world price of about £1,200 per tonne and the EEC level of £1,800 means that every tonne exported costs the Community £600. Any increase in prices at the present review would increase that cost.

In that connection it is worth *refuting the claim made by* the Commission in Brussels that any increase in Community prices, be it for butter or grain, would automatically pull up the level of world prices. World prices, it cannot be too strongly underlined, are entirely the result of market forces. Increased Community prices, bringing increased supplies to the market, would be likely to reduce world market values.

Another group of farmers is becoming increasingly worried. Pig and poultry farmers do not enjoy the price protection in the CAP that the more aristocratic, in agricultural terms, farmers are given.

At the NFU annual meeting recently there was a demand for a return to the denaturing system for feed grain. This would mean that wheat or barley that failed to sell for human consumption would be made fit only for animal feed and could *then be sold much more* cheaply to livestock feeders instead of being exported at considerable subsidy. The NFU meeting turned this down, but the argument is still seething on.

The NFU's attitude is easily understood. It would be a short step from a denaturing regime for cereals to a demand for a return to a deficiency payment system.

To the NFU deficiency payments bring back horrid memories of the annual confrontation with governments over fixing next year's prices.

Under the present arrangements the real costs of farm support are hidden from view. Only the consequences in reduced consumption surface and these can be explained away as being due to the recession or the lack of appreciation by the consumer.

There is also a marked dislike of deficiency payments in Europe. They would not work in conditions of surplus, it is claimed. But I cannot see that they would be any more expensive than the present system which encourages the most irresponsible over-production.

Is there any good reason for instance why excess milk production should be subsidised without limit to no one's benefit but the farmers themselves? If the equivalent amounts were spent in cheapening the cost of milk products to the consumers would not the end result be an increase in consumption?

A similar arrangement for *cereals* would *at least make* sure that the competing imported cereal substitutes would be undercut. As a result domestic grain would be kept in Europe instead of being dumped elsewhere in the world as at present to make room for substitute imports. Food manufacturers would welcome a return to such a system.

At the moment rational *discussion* of these alternatives is being firmly kept under wraps. At the Oxford Farming Conference Mr Christopher Tugendhat claimed that a return to a deficiency payments system, should Britain leave the Community, would mean a UK Minister of Agriculture having to ask the Chancellor for about £2bn or even more to maintain farm prices at present levels.

As Mr Tugendhat is Finance Commissioner, I imagine he knew what he was talking about. His estimate, however, is based on the generally higher price levels in the EEC, as compared with the world outside. There is no doubt that a reduction in cereal costs for animal production could lead to lower prices.

I don't believe it is being unrealistic to think about alternatives to the present system.

The Community is going into crisis, mainly owing to the cost of *agricultural support*. Some changes are certainly essential if it is to continue in being.

John Cherrington

Commodity earnings lower

BY JAMES BUXTON IN ROME

THE PRICE in real terms of 15 main agricultural commodities was lower last year than in 1960, according to the UN Food and Agricultural Organisation (FAO). There were sharp falls in prices during 1981, due to a combination of abundant supplies and recession in the industrial countries.

An analysis of price trends for the main agricultural commodities showed that the prices of tea, jute and rubber stood at about 60 per cent of their 1960 price in real terms in 1981, while the real prices of commodities such as cocoa, bananas, wheat, maize, soyabeans and beef were 20-40 per cent beneath their 1960 levels.

Sugar was about 30 per cent up in the early part of the year, but prices on the free market then fell, wiping out the gain.

Mr Edouard Saouma, the FAO's director-general, said in the organisation's commodity review and forecast for 1981-82 it would be an oversimplification to blame poor prices on recession. The past failure of producing countries to take into account changing market conditions and the problem of creeping protectionism had also to be taken into account.

In contrast to its customary gloom, the FAO pointed out that thanks to good harvests the global cereal supply at the end of 1981 was good, and pointed to a partial recovery of stocks by the end of the 1981-82 crop year.

Even so the result of poor agricultural trading conditions was that in the 12 months to September 1981 some 20 countries had to resort to the IMF's compensatory facility designed to alleviate commodity export problems. The overall agricultural trade surplus of developing countries fell to $6bn in 1980 from $15bn the previous year, and was expected to have dropped even further in 1981.

The FAO expects recession in the industrial countries to continue to depress agricultural trade in the first half of 1982, and developing countries could expect lower export earnings in the short term from items such as sugar, coffee and cocoa.

China buys more wheat

BY OUR COMMODITIES STAFF

AUSTRALIA announced yesterday it had sold a further 1m tonnes of wheat to China for shipment between July and December. This brings total Australian wheat sales to China to 2.20m tonnes in the 1981-82 season, compared with 1.15m in 1980-81. The sales come under a three-year agreement under which China pledged to buy between 1.50 and 2.5m tonnes annually.

The International Wheat Council in its latest market report, out yesterday, reduced its forecast for world wheat trade by 1m to 99m tonnes for 1981-82, although this is still well above the 93m tonnes traded in 1980-81. Carryover stocks in the five biggest exporting countries are expected to rise to 52m tonnes against 47.5m tonnes previously.

The report says the outlook for world wheat production in 1982 remains favourable. The global wheat area is unlikely to show substantial change from the record 239m hectares planted in 1981, and the northern hemisphere crops of autumn-sown wheat are entering their final growth stages in good condition.

World course grain trade in the 1981-82 season is now expected to fall to 101m tonnes, compared with 105m in 1980-1981. An increase in Soviet imports is expected to be offset by reduced purchases for Eastern and Western Europe, and Asia. The report includes special sections on the growth in cereal substitutes trade, and the dispute between the EEC and the U.S. on wheat flour sales, being examined by GATT (General Agreement on Tariffs and Trade).

Coffee futures fall further

By Our Commodities Staff

COFFEE PRICES fell sharply on the London robusta futures market again yesterday. The May position, which fell £42 on Wednesday, went down another £20 to £1,168.50 a tonne in the face of speculative selling.

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES were easier on the London Metal Exchange, reflecting the downturn in precious metal prices. *Copper drifted back from £869 to close at £862 while Zinc closed at £429.5 and Lead at £344.* Aluminium reflected the general decline in metal prices and ended the day at £577.75. Nickel dipped to £3,082.5 on news that technicians and white collar workers have agreed new labour contracts. Hedge selling and general liquidation lowered Tin, three months, to £7,305.

[illegible]

Afternoon: Three months £344.50, 44.00, 43.00, 43.50. Kerb: Three months £343.50, 44.00, 43.50, 43.00. Turnover 6,725 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade Cash	£ 7110-5	£ -62.5	£ 7080-100	£ -71
3 months	7335-50	-47.5	7300-5	-47.5
Settlem't	7115	-55		
Standard Cash	7110-5	-77.5	7080-100	-60
3 months	7335-50	-47.5	7300-5	-47.5
Settlem't	7115	-55		
Straits E.	[illegible]			
NewYork				

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —
Spot	3040-8	-41.5	3035-50	-37.5
3 months	3080-90	-37.5	3085-8	-32

months £578.00, 77.50, 78.00, 78.50, 78.00, 77.00, 78.00. Turnover 7,100 tonnes.

[illegible]

SILVER

[illegible]

GRAINS

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

POTATOES

[illegible]

GAS OIL FUTURES

[illegible]

SUGAR

LONDON DAILY PRICE—Raw sugar £150.00 (£153.00) a tonne cif March-April-May shipment. White sugar daily price £166.00 (£168.00).

The market remained on the defensive throughout the day and closed around the lows, reports C. Czarnikow.

[illegible]

COTTON

[illegible]

WOOL FUTURES

[illegible]

MEAT/VEGETABLES

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

PRICE CHANGES

In tonnes unless otherwise stated.

[illegible]

AMERICAN MARKETS

NEW YORK, March 25.

PRECIOUS METALS came under pressure following the disclosure that the USSR is using gold as a collateral for major loans. Copper was lower on a lack of demand. Coffee continued its [illegible]

June 65.40-65.35 (65.67), Aug 62.65, 62.65, Oct 60.90-60.95, Dec 61.20, Feb 60.60, April 61.20.

Live Hogs—April 51.05-50.95 (51.30), June 55.05-55.20 (55.05), July 56.05-56.10, Aug 55.40-55.60, Oct 53.57-53.60, [illegible]

[illegible]

Wednesday's closing prices

[illegible]

EUROPEAN MARKETS

ROTTERDAM, March 25.

[illegible]

INDICES

FINANCIAL TIMES

Mar. 24	Mar. 23	Month ago	Year ago
246.34	245.85	245.79	259.65

(Base: July 1, 1952=100)

MOODY'S

Mar. 24	Mar. 23	Month ago	Year ago
989.2	988.9	995.7	1149.4

(December 31, 1931=100)

DOW JONES

Dow Jones			Month ago	Year ago
Spot	125.49	126.03	132.25	
Fut's	130.01	129.93	133.44	

(Base: Dec 31 1974=100)

REUTERS

Mar. 25	Mar. 24	M'nth ago	Year ago
1592.4	1591.3	1603.8	1701.0

(Base: September 18, 1931=100)

LONDON STOCK EXCHANGE

Gilts lower but close above worst after quiet trading
Company statements attract most interest in equities

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Mar 15	Mar 25	Mar 26	Apr 5
Mar 29	Apr 15	Apr 16	Apr 26
Apr 19	Apr 28	Apr 29	May 10

* "New time" dealings may take place from 9.30 am two business days earlier.

Quotations generally moved within narrow limits in Stock markets yesterday. Equities opened easier and drifted lower in the continued absence of support.

Investors were content to stay on the sidelines awaiting developments and interest was generated chiefly by company trading announcements and clearing-up on end-Account considerations.

Leading shares again lacked a firm lead from the premier gilt market, but small selling was well absorbed and prices gradually picked up from the late morning as illustrated by the FT 30-share index. This measure was 5.4 down at 11 am, but improved progressively thereafter to halve the loss to 2.7 at 559.9.

Overall, falls in FT quoted industrials outweighed rises by nine-to-four.

Apart from the index-linked stocks, ⅛ to ⅜ better, plus signs were rare in British Funds. Quotations started lower virtually across the board and were soon going easier with the shorts registering losses of ¼ at one stage; falls were reduced by the close to ⅛ or ¼, although Treasury 13¾ per cent ended ⅜ off at £59⅜ for the £50-paid stock. Mediums and longs also closed above the worst, with falls generally ranging to ⅜.

The Government Securities index was 0.22 down for a two-day setback of 0.64 at 68.91 to retain a rise of 0.46 so far on the week.

Gold shares ran into selling following the South African budget and the Gold Mines index lost 14.1 at 240.7.

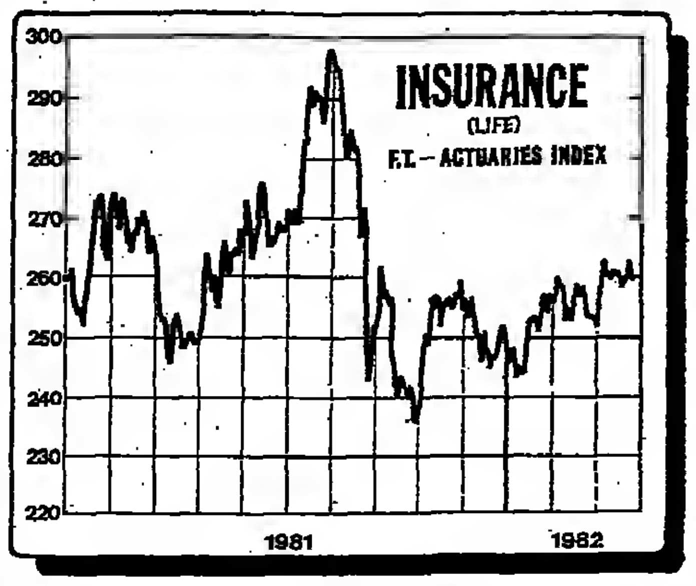
Eagle Star down again

Comment on the disappointing preliminary figures prompted a fresh decline in Eagle Star of 5 to 380p, after 378p. Other Composites drifted lower on lack of support. Sun Alliance relinquished 6 to 880p, while General Accident, 318p, GRE, 306p, and Phoenix, 258p, all finished 4 lower. Life issues turned distinctly dull with Equity and Law particularly vulnerable and 16 down at 412p. Further consideration of the trading statements left London and Manchester a further 6 off at 254p and Prudential a penny down at 231p.

End-Account influences and the threat of increased taxation deterred investment interest in the major clearers. Quotations drifted lower and Barclays ended 8 down at 460p with NatWest 7 easier at 428p.

Wines and Spirits usually finished with modest falls, where changed. Amalgamated Distilled Products gave up 3 to 79p following the disappointing mid-term results.

Leading Buildings gave ground on end-Account influences, but losses were confined to a few pence. Elsewhere, new-time buying ahead of the preliminary results, due on April 6, lifted Higgs and Hill 8 to 154p, while revived demand in a thin market left Ruberoid 4 up at a 1981-1982 peak of 117p. Mixconcrete shed a penny to 88p following the annual results.



ICI came under early selling pressure following an analysts' meeting and gloomy industry projections and reacted to 318p before closing a net 4 down at 320p. Blagden and Noakes added a couple of pence to 110p following the chairman's optimistic statement.

Goodman revives

Demand for Stores again left much to be desired and the leaders drifted to close a shade easier for choice. Goodman Brothers stood out among smaller-priced issues with a gain of 3 to 17p on revived speculative support. Profit-taking clipped 3 from recent high-flyer George Oliver "A," 155p, while Strong and Fisher held at 58p despite the reduction in profits at the interim stage.

Further profit-taking in the wake of the excellent annual figures left BICC 10 down at 325p, while other Electrical majors lacked investment support and drifted lower. Racal gave up 7 to 378p and Plessey 5 to 375p. Philips' Lamps, however, improved 8 to 490p on the annual report. Elsewhere, Lec Refrigeration revived with a spurt of 27 to a peak of 247p following speculative demand in a thin market ahead of preliminary results due early next month. Despite the resumption of a final dividend and return to profitability, BSR's annual results failed to match expectations and the shares fell to 71p before closing 3 down on balance at 76p. Disappointing preliminary figures also brought about a reaction of 3 to 192p, after 190p, in Automated Security. Cambridge softened the turn to 124p after the uninspiring results, while Unitech came on offer and fell 15 to 220p.

Babcock International became a firm counter in Engineers, rising 5 to 98p following impressive preliminary results reported by its German subsidiary—Deutsche Babcock AG. Renewed support ahead of the annual figures, due on April 5, helped Ash and Lacy to advance 10 more to 300p, while Metalrax firmed 3 to 51p as did Whessoe, 90p. Profit-taking after the results caused Percy Lane, 45p, to give back all of the previous day's gain of 5, while Stothert and Pitt lost 2 to 56p on offerings ahead of today's mid-term figures. With the exception of Vickers, which hardened a couple of pence to 160p on further consideration of the annual profits and proposed £24m rights issue, the leaders drifted lower.

Business in Foods expanded, but the trend was to lower levels. Retailers had J. Sainsbury 5 off at 570p, Associated Dairies 2 cheaper at 134p and Kwik Save 8 down at 252p. Elsewhere, Bernard Matthews, a thin market, touched 116p before closing a net 5 up at 110p despite the company's lower annual profits and the staffs' decision to reject the company's 10 per cent pay offer.

Inter-City prominent

Inter-City Investment returned to prominence in miscellaneous industrials, jumping 11 to 56p on revived speculative buying fuelled by hopes of a bid from Metan Investment Establishment of Vaduz, Liechtenstein, the mystery investment concern which acquired a 25.74 per cent stake in the company last month. Friedland Doggart put on 5 to 102p following the preliminary results. Still drawing strength from the second-half profits upsurge, Rockware hardened 2 for a two-day advance of 10 to 73p. Redfearn Glass, 150p, and Ricardo, 434p, added 12 apiece.

News of the placing of 20.4m shares at 138p to finance the company's further U.S. expansion left Thomas Tilling 5 down at 147p, after 146p. Berwick Timpo fell a further 4 to 29p on the poor preliminary figures, while falls of 6 and 7 respectively were seen in BTR, 338p, and Smiths Industries, 345p. In quietly dull conditions, largely on end-Account considerations, Unilever fell 14 to 615p and Pilkington receded 7 to 255p. Bowater, annual results scheduled for April 6, gave up 5 to 240p and Turner and Newall came on offer again at 63p, down 3.

The Leisure sector displayed several noteworthy movements. D. M. Lancaster jumped to 34p before closing a net 6 up at 31p following a bid approach, while Horizon Travel put on 5 for a two-day gain of 12 to 337p; the latter's preliminary results are expected next Monday. Saga Holidays closed 5 down at 156p, the satisfactory interim profits outweighed by the cautious tenor of the chairman's statement.

Newspapers were again irregular. Associated eased a couple of pence to 186p, but Pearson Longman added 5 to 310p for a gain of 38 since the announcement of talks with parent S. Pearson, 2 cheaper at 256p. Among provincials, profit-taking clipped 4 from Liverpool Daily Post, 155p, while United eased 2 to 171p following the annual profits setback. Paper/Printings featured Bemrose, which jumped 13 to 73p in response to the sharply increased preliminary profits and dividend. British Printing added 3½ to a 1981-82 peak of 36½p on the acquisition of "Mayfair" magazine. Bunzl Pulp firmed 4 to 172p after a favourable Press mention. Further consideration of the annual results lifted Richard Clay 2 more to 43p, but DRG, 88p, gave up 5 of the previous day's gain of 13 which followed the full-year results.

Quietly dull conditions prevailed in Properties. Land Securities, 292p, and MEPC, 224p, shedding 3 apiece. Slough Estates, up 9 on Wednesday on the annual results and scrip issue proposal, gave up 3 to 140p on profit-taking. On the other hand, Brixton Estates improved 2 to 111p; the company has been granted planning permission for the development of a new industrial estate at Hemel Hempstead. Elsewhere, Fairview Estates added a penny to 108p in response to the interim results, but recently firm Rosehaugh encountered profit-taking and shed 9 to 275p. On the bid front, Estates and General gained 5 to 69p; bidders Federated Land eased 3 for a two-day fall of 8 to 145p.

Oils up late

Enthusiasm for Oils was lacking during the "House" session, but quotations took a distinct turn for the better in after hours' dealings on vague rumours emanating from the States about an offshore oil strike in Prudhoe Bay. British Petroleum closed 2 dearer on balance at 296p, after 288p, while Shell reverted to the overnight level of 372p, after 368p. Ultramar ended 12 up at 390p and Berness 3 to the good at 115p. Recently firm Tricentrol settled 4 cheaper at 194p, after 190p, the annual results failing to match best estimates. Among the Humbly Grove participants, Candecca put on 5 to 188p and Carless 8 to 160p, but Marinex, a particularly strong market recently, eased a couple of pence to 98p. NCC Energy attracted new-time interest and put on 10 to 85p.

Preliminary profits from Ocean Transport and Trading were some £5m better than the market had expected and the shares touched 127p before settling for a net gain of 3 at 123p. Other Shippings took heart from the announcement, notably P & O Deferred which rose 3 to 136p in active trading; the annual results are expected early in May.

Golds under pressure

The five-day rally in South African Golds was stopped in its tracks by the South African budget, announced on Wednesday afternoon.

The sharemarket, which weakened appreciably in Wednesday's late trade, was marked down sharply at the outset yesterday and met sustained and heavy selling pressure from the Continent, London and Johannesburg.

An attempt at a rally around the official close proved short-lived and the market fell further to close at the day's lowest levels.

The budget proposal to increase from 5 per cent to 15 per cent the surcharge on taxes of gold and diamond mines was cited as the major factor affecting sentiment while the downturn in the bullion price—$5 cheaper at $327 an ounce—was an additional bearish influence.

The Gold Mines index dropped 14.1 to 240.7.

The heaviest losses in the higher-priced issues were sustained by Randfontein, £21, Kloof, £11, Vaal Reefs, £24 and Western Deep, £12½, which all registered falls in excess of a point, while medium- and lower-priced stocks showed Harmony 53 down at 541p and Kinross 37 off at 488p.

Selling of South African Financials was also heavy. "Amgold" dropped £2½ to £31, "Johnnies" £1½ to a 1981-82 low of £24½, GFSA a point to £26½, Anglo American Corporation 24 to 460p and Gencor 35 to 790p.

De Beers, a weak market in recent weeks following the poor profits performance and dividend cut, gave up 11 to 226p.

Platinums were equally depressed, with Rustenburg 12 off at 150p and Impala 8 cheaper at 202p.

London Financials were initially sold but rallied to close above the day's lowest. RTZ and Gold Fields both ended around 3 off at 418p and 390p respectively.

Australians provided a feature in Claremont Petroleum, which improved 6 more to 61p, after 65p, on further consideration of the oil discovery in the Jackson South 1 exploration well, described by CSR as a new oil field.

The continued small trade in the London equity market resulted in another poor session in Traded Options; only 1,116 deals were arranged—under half the previous day's total and well below last week's average of 1,617. Calls completed yesterday amounted to 758, of which Commercial Union recorded 143 and Lonrho, 159.

FINANCIAL TIMES STOCK INDICES

	Mar. 26	Mar. 24	Mar. 23	Mar. 22	Mar. 19	Mar. 18	A year ago
Government Secs	68.91	69.13	69.55	69.06	68.45	68.30	70.18
Fixed Interest	69.66	69.59	69.56	69.51	69.03	68.90	72.00
Industrial Ord.	559.9	562.6	564.3	558.1	569.7	556.8	618.9
Gold Mines	240.7	254.8	254.6	240.5	234.4	235.0	661.1
Ord. Div. Yield	5.61	5.59	5.57	5.62	5.59	5.65	6.31
Earnings, Yld. % (full)	10.73	10.68	10.65	10.75	10.69	10.55	13.35
P/E Ratio (net) (*)	11.85	11.91	11.95	11.84	11.90	12.16	9.27
Total bargains	23,047	19,895	24,020	21,010	18,406	19,781	29,260
Equity turnover £m.	—	202.16	180.79	101.54	166.88	118.29	206.79
Equity bargains	—	20,606	21,246	16,624	14,759	16,958	29,478

10 am 558.4. 11 am 557.2. Noon 558.5. 1 pm 559.3. 2 pm 559.5. 3 pm 558.7.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil = 10.75.

HIGHS AND LOWS

	1981/2 High	1981/2 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/3/81)	60.17 (26/10/81)	127.4 (9/1/35)	49.18 (6/1/75)
Fixed Int.	72.01 (20/3/81)	61.61 (26/10/81)	150.4 (28/11/47)	50.53 (6/1/75)
Ind. Ord.	597.3 (30/4/81)	446.0 (14/1/81)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	499.0 (14/8/81)	209.2 (18/3/82)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Mar. 24	Mar. 23
—Daily		
Gilt Edged Bargains	206.4	235.9
Equities Bargains	135.5	137.7
Value	408.6	565.4
5-day Avrge.		
Gilt-Edged Bargains	203.0	200.6
Equities Bargains	115.6	111.0
Value	399.0	378.9

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1981/82 High	1981/82 Low	Stock	Closing price p	+ or −	Div. or amount	Times Covered	Gross Yield	P.E. Ratio
142	F.P.	26/3	202	186	Amersham	198	−1	b3.5	2.9	2.5	18.0
15	F.P.	16/4	25	19	Cambrian & Gen. 7½p	25					
80	F.P.	—	370	315	✻Eldridge Pope £1	370	+3	9.5	2.9	3.7	11.4
—	F.P.	—	26	21	Fleet Holdings 20p	23	−1				
—	F.P.	—	38	27	Greenfriar Warrants	35					
99	F.P.	6/3	93	89	✻Imm. Bus. Sys. 10p	92					
§120	F.P.	—	151	127	Leisure Inds.	151	+1	b5.0	2.6	5.4	9.3
‡‡	F.P.	—	53	47	✻Malaysian Tin 5p	50					H.0
§130	F.P.	16/4	170	157	✻Oceonics 10p	160	−4	bd1.5	4.7	1.3	12.7
‡†	F.P.	—	30	30	Osprey Assets	30		F1.4	—	6.7	—
**	F.P.	—	48	40	P. H. Industrials	40		b3.5	1.8	12.5	6.3
46	F.P.	19/2	63	47	✻York Mount	63		4.51	⊕	10.6	⊕

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981/2 High	1981/2 Low	Stock	Closing Price £	+ or −
§100	£25	30/7	35½	25¼	Barclays 16% LnStk.	35	−¼
100	F.P.	14/4	116	111	Boddingtons Brew 9½% Cnv. Ln. 2000/05	115	−1
*100	£10	—	10½	10½	Bristol Water 9% Pref. 1987	10½	
100	F.P.	22/5	103	99	Nunting Pet. 10% Cnv. Ln. 1997	99	
*99	£10	29/4	11½	10½	Lee Valley 9½% Red. Prf. 1989	11¼	
§100	£10	—	102	99¾	Nationwide Bdg. Soc. 16¼% (17/1/83)	101¾	−½
§100	F.P.	—	101⅛	100	Do. 15⅝% (7/2/83)	101¼	−½
§100	F.P.	—	100⅜	100¼	Do. 14¼% (14/5/83)	100⅜	+⅛
**	F.P.	16/4	102½p	100p	Ropners 11½% Cum. Prf.	102½p	+½
98.55	£20	20/5	25½	19¾	Trans-Canad Pipelines 16½% Notes 2007	25	−½

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1981/2 High	1981/2 Low	Stock	Closing price p	+ or −
70	F.P.	15/5	19/4	87	73	✻Clyde Petroleum	85	+2
40	F.P.	8/5	23/4	48	40	✻Energy Finance 10p	40	
30	Nil	29/3	10/5	37pm	20pm	First Castle 10p	29pm	−1
160	F.P.	22/5	29/4	188	164	Hunting Pet. Services	182	
A$2.25	Nil	—	—	26pm	12pm	M.I.M.	26pm	+1
74	Nil	8/4	6/5	97pm	24pm	St. George's Grp. 10p	97pm	
110	F.P.	23/3	23/4	158	134	Security Centres	158	+8
11	Nil	6/4	27/4	6½pm	3½pm	Shaw & Marvin 10p	6½pm	
10	F.P.	24/5	23/4	12½	11	Sturla 10p	12	+½

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ⊕ Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✻ With warrants. †† Dealings under special Rule. ✻ Unlisted Securities Market. ‡‡ London Listing. † Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). ‡‡ Unit comprising five ordinary and three Cap shares.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
BICC	325	−10	Inter City Invs	56	+11
BSR	76	−3	Lucas Inds	195	—
Bemrose	73	+13	P. & O. Dfd	136	+3
British Printing	36½	+3½	Racal Electronic	378	−7
De Beers Dfd	226	−11	Tricentrol	194	−4
ICI	320	−4	Vaal Reefs	£23½	−1½

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in S.E. Official List

Stock	No. of price changes	Wednesday's closing price pence	Day's change	Stock	No. of price changes	Wednesday's closing price pence	Day's change
LASMO	26	300	+15	Tricentrol	17	198	+8
B.H. Prop	19	456	—	Ultramar	17	378	+5
Marks & Spen	18	153	+1	Boots	16	218	+5
BP	18	294	—	Eagle Star	16	385	−3
Cns. Gold Flds	17	393	+8	GEC	18	820	−8
De Beers Dfd	17	237	+1	Shell Trans	18	372	—
Prudential	17	232	−3	BICC	14	335	−10

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, March 24, 1982. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT and SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT and SA nor the Financial Times assume responsibility for errors.

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	50.08
Albania	Lek	6.5838
Algeria	Dinar	4.1976
Andorra	Fr. Franc	6.2065
	Sp. Peseta	104.91
Angola	Kwanza	30.214
Antigua	E. Caribbean $	2.7025
Argentina	Peso (f) (2)	10925.00
Australia	Dollar	0.9462
Austria	Schilling	16.6925
Azores	Port. Escudo	70.45
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3799
Balearic Is.	Sp. Peseta	104.91
Bangladesh	Taka	21.16
Barbados	Dollar	2.01
Belgium	Franc (C)	44.72
	Franc (F)	50.16
Belize	Dollar	2.00
Benin	C.F.A. Franc	310.326
Bermuda	Dollar	1.00
Bhutan	Ind. Rupee	9.1996
Bolivia	Peso	43.56
Botswana	Pula	0.928
Brazil	Cruzeiro	145.64
Brunei	Dollar	2.124
Bulgaria	Lev	0.945
Burma	Kyat	8.4616
Burundi	Franc	90.00
Cameroun Rp.	C.F.A. Franc	310.325
Canada	Dollar	1.2207
Canary Is.	Sp. Peseta	104.91
Cape Verde Is.	Escudo	56.51
Cayman Is.	Dollar	0.836
Cen. Af. Rep.	C.F.A. Franc	310.325
Chad	C.F.A. Franc	310.325
Chile	Peso (O)	39.00
China	Renminbi Yuan	1.8471
Colombia	Peso (O)	61.13
Comoros	C.F.A. Franc	310.325
Congo (P'ple.Rep.of)	C.F.A. Franc	310.395
Costa Rica	Colon (O)	8.60
	Colon	37.29
Cuba	Peso	0.809
Cyprus	Pound*	2.1675
Czechoslovakia	Koruna (O)	5.85
Denmark	Krone	8.0809
Djibouti Rp. of	Franc	178.50
Dominica	E. Caribbean $	2.7026
Domin. Rep.	Peso	1.00
Ecuador	Sucre (O)	25.00
	Sucre (F)	44.00
Egypt	Pound* (O)	1.4495
	Pound* (1)	1.2186
El Salvador	Colon	2.50
Eq'tl Guinea	Ekuele	209.82
Ethiopia	Birr (O)	2.04
Faeroe Is.	Dan. Krone	8.0802
Falkland Is.	Pound*	1.8088
Fiji	Dollar	0.916
Finland	Markka	4.574
France	Franc	6.2065
Fr. C'ty in Af.	C.F.A. Franc	310.325
Fr. Guiana	Franc	6.2065
Fr. Pac. Is.	C.F.P. Franc	110.571
Gabon	C.F.A. Franc	310.325
Gambia	Dalasi	2.2114
Germany (E)	Ostmark (O)	2.375
Germany (W)	Mark	2.376
Ghana	Cedi	2.75
Gibraltar	Pound*	1.8088
Greece	Drachma	61.66
Greenland	Dan. Krone	8.0808
Grenada	E. Caribbean $	2.7026

COUNTRY	CURRENCY	VALUE OF DOLLAR
Guadaloupe	Franc	6.2065
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00
Guinea Bissau	Peso	39.2184
Guinea Rep.	Syli	22.0097
Guyana	Dollar	2.9854
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
Hong Kong	Dollar	5.816
Hungary	Forint	34.4987
Iceland	Krona	9.9912
India	Rupee	9.1996
Indonesia	Rupiah	648.00
Iran	Rial (O)	79.00
Iraq	Dinar	0.2983
Irish Rep.	Punt*	1.4617
Israel	Shekel	19.00
Italy	Lira	1203.62
Ivory Coast	C.F.A. Franc	310.326
Jamaica	Dollar	1.7834
Japan	Yen	241.85
Jordan	Dinar	0.3476
Kampuchea	Riel	n.a.
Kenya	Shilling	10.6435
Kiribati	Aust. Dollar	0.9462
Korea (Nth)	Won	0.94
Korea (Sth)	Won	708.00
Kuwait	Dinar	0.285
Lao P'ple D. Rep.	Kip	10.00
Lebanon	Pound	4.8125
Lesotho	Loti	1.058
Liberia	Dollar	1.00
Libya	Dinar	0.2961
Liechtenst'n	Sw. Franc	1.8865
Luxembourg	Lux Franc	44.72
Macao	Pataca	6.0457
Madagascar D. R.	Franc	310.325
Madeira	Port. Escudo	70.45
Malawi	Kwacha	0.9436
Malaysia	Ringgit	2.329
Maldive Is.	Rufiyaa (O)	5.95
	Rufiyaa (M)	7.55
Mali Rp.	Franc	620.65
Malta	Pound*	2.4778
Martinique	Franc	6.2065
Mauritania	Ouguiya	49.30
Mauritius	Rupee	11.1416
Mexico	Peso	44.82
Miquelon	Fr. Franc	6.2065
Monaco	Fr. Franc	6.2065
Mongolia	Tugrik (O)	5.5555
Montserrat	E. Caribbean $	2.7026
Morocco	Dirham	5.8074
Mozambique	Metica	50.0199
Namibia	S.A. Rand	1.038
Nauru Is.	Aust. Dollar	0.9462
Nepal	Rupee	15.20
Netherlands	Guilder	2.6245
Neth. Ant'les	Guilder	1.80
New Zealand	Dollar	1.2893
Nicaragua	Cordoba	10.00
Niger Rp.	C.F.A. Franc	310.325
Nigeria	Naira (O)	0.659
Norway	Krone	6.0566
Oman, Sultanate of	Rial	0.3456
Pakistan	Rupee	11.3679
Panama	Balboa	1.00
Papua N.G.	Kina	0.7919
Paraguay	Guarani	126.00
Peru	Sol	566.31
Philippines	Peso	8.855

COUNTRY	CURRENCY	VALUE OF DOLLAR
Pitcairn Is.	N.Z. Dollar	1.2893
Poland	Zloty (O)	80.00
Portugal	Escudo	70.45
Port Timor	Escudo	n.a.
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.6597
Reunion Ile de la	Fr. Franc	6.2065
Romania	Leu (O)	4.47
Rwanda	Franc	92.84
St. Christopher	E. Caribbean $	2.7025
St. Helena	Pound*	1.8088
St. Lucia	E. Caribbean $	2.7026
St. Pierre	Fr Franc	6.2066
St. Vincent	E. Caribbean $	2.7025
Samoa (Western)	Tala	0.8577
Samoa (Am.)	U.S. $	1.00
San Marino	It. Lira	1605.62
Sao Tome & Principe DR	Dobra	40.3326
Saudi Arabia	Riyal	3.4208
Senegal	C.F.A. Franc	310.326
Seychelles	Rupee	7.4156
Sierra Leone	Leone	1.2184
Singapore	Dollar	2.124
Solomon Is.	Dollar	0.9165
Somali Rep.	Shilling (3)	6.35
	Shilling (4)	12.45
South Africa	Rand	1.038
Spain	Peseta	104.91
Span. Ports in N. Africa	Sp. Peseta	104.91
Sri Lanka	Rupee	20.68
Sudan Rep.	Pound* (1)	1.1111
Surinam	Guilder	1.785
Swaziland	Lilangeni	1.038
Sweden	Krona	5.84
Switzerland	Franc	1.8865
Syria	Pound	3.9259
Taiwan	Dollar (O)	37.00
Tanzania	Shilling	9.1774
Thailand	Baht	23.00
Togo Rep.	C.F.A. Franc	310.326
Tonga Is.	Pa'anga	0.9452
Trinidad & Tobago	Dollar	2.4063
Tunisia	Dinar	0.5643
Turkey	Lira	146.20
Turks & Caicos	U.S. $	1.00
Tuvalu	Aust. Dollar	0.9459
Uganda	Shilling	78.00
Utd. A'b. Emir.	Dirham	3.6719
Utd. Kingdom	Pound Sterling*	1.8088
Upper Volta	C.F.A. Franc	310.395
Uruguay	Peso	11.954
U.S.S.R.	Rouble	0.7589
Vanuatu	Vatu	100.207
	Aust. Dollar	0.9462
Vatican	Lira	1,603.62
Venezuela	Bolivar	4.2937
Vietnam	Dong (O)	9.18
Virgin Is. Br.	U.S. $	1.00
Virgin Is. U.S.	U.S. $	1.00
Yemen	Rial	4.57
Yemen PDR	Dinar	0.3415
Yugoslavia	Dinar	45.4614
Zaire Rp.	Zaire	5.6592
Zambia	Kwacha	0.913
Zimbabwe	Dollar	0.7407

n.a. Not available. (n) Market rate. * U.S. dollars per National Currency unit. (o) Official rate. (c) Commercial rate. (f) Financial rate. (1) Egypt—Floating rate fixed daily by Central Bank of Egypt for Importers, Exporters, Tourists. (2) Argentina—Commercial and Financial rate combined 30/12/81. (3) Somali: Parallel exchange rates introduced July 1—for essential imports. (4) Somali: Exports and Non-Essential Imports and Transfers.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar 22	April 2	July 1	July 12
April 5	April 26	July 15	July 26
April 26	May 7	July 29	Aug 9

For rate indications see end of Share Information Service

Money was given for the call in ICL, Turner and Newall, Howard Tenens, Poseidon, Eagle Star, First National Finance, Premier Oil, North Kalgurli, Vaal Reefs, Singlo, Phicom, Brown and Jackson, John Waddington, Driefontein, Samuelson Film Service, Scottish and Newcastle, Offshore Oil, Metal Box, Comtech and Town and City Properties. A put was taken out in Sotheby Parke Bernet, while doubles were transacted in ICL and Premier Oil.

NEW HIGHS AND LOWS FOR 1981/2

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981-82.

NEW HIGHS (28)

BUILDINGS (4)
Carr (John) — Lovell (Y. J.)
Higgs & Hill — Ruberoid

ELECTRICALS (4)
A. & G. Sec. Elecs. — Lec Refrigeration
Cray Electronics — Security Centres

ENGINEERING (2)
Ash & Lacy — Jessops

FOODS (1)
Hillards

INDUSTRIALS (4)
Bibby (J.) — Whatman Reeve
Crest Nicholson — Angel
Prestige

INSURANCE (1)
Travelers

LEISURE (1)
Intasun

NEWSPAPERS (1)
Pearson Longman

PAPER (2)
Bemrose — Brit. Printing

PROPERTY (1)
Baxter (C. H.)

SHOES (1)
Scott (David)

TEXTILES (3)
Atkins Brothers — Sirdar
Miller (F.)

OIL & GAS (1)
ORE

NEW LOWS (16)

AMERICANS (1)
Simplicity Pattern

BUILDINGS (1)
Crouch (D.)

STORES (1)
Walker (James)

ELECTRICALS (1)
Quest Auto.

ENGINEERING (1)
Brooke Tool

INDUSTRIALS (3)
Berwick Timpo — Stonehill
Hardmex

PAPER (1)
Smurfit (Jeff.)

TEXTILES (1)
Shaw Carpets

OIL & GAS (1)
Palliser Res.

MINES (5)
Jo'burg Cons. — North Kalgurli
Great Eastern — Pacific Copper
Metals Ex.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	8	67	17
Corpns. Dom. and Foreign Bonds	2	13	58
Industrials	142	321	892
Financial and Prop.	35	171	312
Oils	30	25	55
Plantations	2	5	17
Mines	18	80	65
Others	41	56	43
Totals	279	738	1,459

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Thurs March 25 1982 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed Mar 24 Index No.	Tues Mar 23 Index No.	Mon Mar 22 Index No.	Fri Mar 19 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (210)	[illegible]	−0.9	9.63	4.31	13.00	371.62	373.86	371.56	372.33	333.52
2	Building Materials (25)	[illegible]	−0.8	13.25	5.17	9.06	335.46	337.02	334.78	335.28	303.36
3	Contracting, Construction (28)	[illegible]	−0.6	14.54	4.69	8.10	618.53	616.53	611.43	610.81	559.34
4	Electricals (31)	[illegible]	−1.0	7.34	2.33	17.42	1286.12	1294.41	1292.33	1294.62	1056.47
5	Engineering Contractors (9)	[illegible]	+0.1	12.87	5.85	9.05	501.32	501.97	493.53	495.90	428.47
6	Mechanical Engineering (67)	[illegible]	−0.3	11.22	5.81	11.29	191.26	191.41	190.58	190.82	207.48
8	Metals and Metal Forming (12)	[illegible]	−0.9	10.02	7.53	12.90	164.07	163.47	162.83	162.59	155.79
9	Motors (21)	[illegible]	−0.4	—	6.92	—	96.46	99.07	98.82	99.49	93.58
10	Other Industrial Materials (17)	[illegible]	−1.5	9.82	5.58	12.32	382.07	382.27	382.09	383.70	350.43
21	CONSUMER GROUP (199)	297.95	−0.6	12.27	5.60	10.01	299.60	299.47	295.29	296.74	262.96
22	Brewers and Distillers (21)	298.80	—	15.74	6.53	7.64	298.71	296.16	292.80	293.75	206.96
25	Food Manufacturing (21)	273.60	−1.1	15.55	6.62	7.74	276.65	278.22	274.41	275.75	245.50
26	Food Retailing (15)	607.20	−1.2	8.89	3.31	13.70	614.28	623.22	614.53	612.61	513.68
27	Health and Household Products (8)	387.01	−0.8	8.13	4.12	14.95	390.18	398.60	387.79	390.71	277.07
29	Leisure (24)	444.61	−0.5	9.37	4.97	13.39	446.98	449.75	445.92	446.68	397.20
32	Newspapers, Publishing (12)	527.10	+0.9	10.77	5.94	12.42	522.30	518.62	518.48	517.93	482.95
33	Packaging and Paper (13)	148.32	−0.5	13.49	7.27	8.86	149.13	145.66	144.17	143.73	130.06
34	Stores (45)	276.43	−0.4	10.23	4.84	13.70	277.61	276.25	270.21	272.30	265.07
35	Textiles (23)	173.64	−0.7	9.75	5.77	13.12	174.81	173.72	173.11	173.38	146.41
36	Tobaccos (3)	306.32	−0.5	20.00	8.51	5.70	307.82	309.49	303.37	308.02	212.56
39	Other Consumer (14)	293.39	+0.9	0.23	5.77	—	290.89	290.45	291.65	289.24	269.85
41	OTHER GROUPS (78)	256.31	−0.7	13.09	6.07	9.21	258.15	258.18	255.78	256.46	216.96
42	Chemicals (16)	334.47	−0.8	13.34	6.90	8.96	337.23	337.95	334.85	336.92	251.61
44	Office Equipment (4)	127.28	−1.5	12.65	6.75	9.63	129.27	130.40	129.42	129.89	112.89
45	Shipping and Transport (13)	580.08	+1.0	18.47	6.37	6.44	574.35	574.20	569.17	573.16	605.68
46	Miscellaneous (45)	325.45	−1.0	11.37	5.85	10.77	328.59	327.51	324.26	323.53	286.14
49	INDUSTRIAL GROUP (487)	316.79	−0.7	11.41	5.39	10.79	318.93	319.32	316.24	317.37	280.88
51	Oils (13)	682.47	+0.4	18.24	8.48	6.41	679.80	678.28	659.61	660.73	816.79
59	500 SHARE INDEX	346.57	−0.5	12.48	5.71	9.75	348.37	348.61	344.28	345.41	323.98
61	FINANCIAL GROUP (117)	258.99	−1.0	—	6.17	—	261.65	260.84	259.36	260.35	255.45
62	Banks (6)	275.85	−1.3	38.73	7.74	2.84	279.51	277.59	278.65	281.09	236.02
63	Discount Houses (9)	236.33	−1.5	—	9.18	—	239.89	235.37	235.15	235.02	307.34
65	Insurance (Life) (9)	259.20	−1.1	—	6.50	—	262.06	263.92	259.51	259.04	260.27
66	Insurance (Composite) (10)	167.33	−0.9	—	8.14	—	168.93	169.43	168.25	168.88	165.15
67	Insurance Brokers (7)	469.14	−1.4	11.25	5.31	12.14	475.96	467.98	453.04	453.45	345.66
68	Merchant Banks (12)	145.83	—	—	5.38	—	145.84	144.87	144.77	144.83	156.97
69	Property (49)	459.00	−0.8	4.69	3.25	28.40	462.66	460.72	458.11	459.11	501.36
70	Other Financial (15)	179.64	−1.3	15.95	6.07	7.72	181.94	181.46	180.54	181.45	172.60
71	Investment Trusts (112)	295.60	−0.6	—	5.44	—	297.34	294.75	292.10	291.94	296.76
81	Mining Finance (4)	207.85	−0.9	16.30	6.84	7.45	209.72	207.83	204.18	204.48	237.46
91	Overseas Traders (17)	383.51	−0.8	13.65	8.30	8.94	386.48	384.47	383.71	382.86	480.52
99	ALL-SHARE INDEX (750)	324.02	−0.6	—	5.84	—	326.04	325.75	322.20	323.16	308.93

FIXED INTEREST

	PRICE INDICES	Thurs Mar 25	Day's change %	Wed Mar 24	xd adj. today	xd adj. 1982 to date
	British Government					
1	5 years	110.85	−0.04	110.89	—	2.09
2	5-15 years	111.54	−0.38	112.05	0.80	2.75
3	Over 15 years	115.51	−0.45	116.21	0.17	3.04
4	Irredeemables	122.07	−0.21	122.34	—	1.62
5	All Stocks	112.35	−0.30	112.77	0.08	2.85
6	Debentures & Loans	88.05	−0.46	88.47	—	3.09
7	Preference	65.11	—	65.11	—	2.20

	AVERAGE GROSS REDEMPTION YIELDS		Thurs Mar 25	Wed Mar 24	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	11.89	11.87	11.98
2		15 years	12.70	12.63	11.97
3		25 years	12.51	12.44	12.05
4	Medium Coupons	5 years	13.85	13.78	13.06
5		15 years	13.67	13.59	13.09
6		25 years	13.22	13.14	13.09
7	High Coupons	5 years	13.76	13.70	13.07
8		15 years	13.86	13.78	13.05
9		25 years	13.28	13.23	13.20
10	Irredeemables		12.22	12.19	11.99
11	Debs & Loans	5 years	14.55	14.44	14.02
12		15 years	14.54	14.47	14.28
13		25 years	14.54	14.47	14.28
14	Preference	†	15.08	15.08	14.28

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post

INSURANCE BONDS

FT UNIT TRUST INFORMATION SERVICE

Legal & General (Unit Assur.) Ltd.
Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU. Burgh Heath 53456

Cash Initial	113.5	[illegible]	[illegible]	—
Do. Accum.	130.6	[illegible]	[illegible]	—
Equity Initial	178.6	[illegible]	[illegible]	—
Do. Accum.	205.4	[illegible]	[illegible]	—
Fixed Initial	172.3	[illegible]	[illegible]	—
Do. Accum.	186.7	[illegible]	[illegible]	—
Intl. Initial	125.3	[illegible]	[illegible]	—
Do. Accum.	140.8	[illegible]	[illegible]	—
Managed Initial	165.0	[illegible]	[illegible]	—
Do. Accum.	189.7	[illegible]	[illegible]	—
Property Initial	134.8	[illegible]	[illegible]	—
Do. Accum.	155.0	[illegible]	[illegible]	—
Exempt Cash Init.	140.6	[illegible]	[illegible]	—
Do. Accum.	161.4	[illegible]	[illegible]	—
Exempt Eqty. Init.	247.4	[illegible]	[illegible]	—
Do. Accum.	284.2	[illegible]	[illegible]	—
Exempt Fixed Init.	197.7	[illegible]	−0.6	—
Do. Accum.	227.1	[illegible]	−0.7	—
Exempt Intl. Initial	90.0	[illegible]	−0.2	—
Do. Accum.	92.4	[illegible]	−0.2	—
Exempt Mngd. Init.	229.1	[illegible]	−1.4	—
Do. Accum.	[illegible]	[illegible]	−1.6	—
Exempt Prop. Init.	151.8	[illegible]	—	—
Do. Accum.	174.3	[illegible]	—	—
Sp. Deposit Init.	101.9	[illegible]	—	—
Do. Accum.	103.9	[illegible]	+0.1	14.0

Legal & General Prop. Fd. Mgrs. Ltd.
11, Queen Victoria St., EC4N 4TP. 01-248 9678

L & G March 1	124.0	130.6	—	—

Next sub. day April 1.

Life Assur. Co. of Pennsylvania
8, New Rd., Chatham, Kent. Medway 812348

LACOP Units	11.28	11.84	—	—

Lloyds Life Assurance
20, Clifton St., EC2A 4HX 01-920 0202

Multi Gwth. March 6	1.9705			—
Op. 8 Prop. March 25	220.7	[illegible]	[illegible]	—
Op. 8 Equity March 25	[illegible]	[illegible]	[illegible]	—
Op. 8 Hy. March 25	158.2	[illegible]	[illegible]	—
Op. 8 Man. March 25	228.2	[illegible]	[illegible]	—
Op. 8 Dep. March 25	165.6	[illegible]	+0.2	—
Op. 8 Intl March 25	114.8	[illegible]	+0.1	—

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 22200

NUIG (Managed Funds) Ltd.

Managed Fund	318.5	335.2	−1.9	—
Equity Fund	537.6	554.2	−3.2	—
Property Fund	209.2	220.2	—	—
Fixed Int. Fund	196.2	206.5	−0.2	—
Deposit Fund	146.3	154.0	—	—

Norwich Union Life Insurance Society Pensionmaster

Fixed Interest*	117.9	124.1	+2.7	—
Ordinary Share*	118.4	124.6	+2.4	—
Property*	104.5	110.0	+0.2	—
Deposit*	100.7	106.0	+0.3	—
Index Linked Secs.*	106.2	111.7	−3.7	—
Mixed*	114.3	120.3	+3.2	—

*Prices at March 23.

Nor. Units Mar. 15		313.2	—	—

Pearl Assurance (Unit Funds) Ltd.
252 High Holborn, WC1V 7EB. 01-405 8441

Inv. Prop. Dist.	130.3	137.2	—	—
Inv. Prop. Acc.	172.9	182.1	—	—
Inv. Equity	176.5	185.8	—	—
Inv. Managed	158.2	166.6	—	—

Pearl Assurance (Unit Linked Pensions) Ltd.

Ret. Managed	127.3	134.0	—	—

Phoenix Assurance Co. Ltd.
4-5 King William St., EC4P 4HR. 01-626 9876

Wealth Ass.	174.2	183.4	—	—
Eb'r. Ph.Eq.E.	112.4	119.2	—	—

Pioneer Mutual Insurance Co. Ltd.
16, Crosby Rd., N. Waterloo, L'pool 051-928 6655

Pioneer Mtl. Md. Fd.	107.5	114.2	—	—

Planned Savings Group
68, East Street, Horsham 0403 50255

1st Managed	85.5	90.9	—	—
1st Fixed Interest	77.2	82.1	—	—
4th Managed	54.8	58.3	—	—
5th Managed	69.0	73.4	—	—
Pension Managed	72.1	76.5	—	—
Family Managed	155.5	158.7	—	—
Do. B Managed	86.4	88.1	—	—
Do. C Britannia	70.0	71.5	—	—
Do. D Fxd. Int.	102.7	104.8	—	—
Family Capital Fund	94.5	96.3	—	—

OFFSHORE & OVERSEAS FUNDS

NOTES

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked & Variable Rate

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

66	43	Do. 3½pc 80-85 Asstd.	64	......	5.44	17.60
43	26	Do. 4½pc 87-92 Asstd.	41xd	......	10.98	17.00
395	318	Zimbabwe Ann (£100pa)	342xd	......	—	20.99

LOANS

Public Board and Ind.

66	57¼	Agric. Mt. 5pc '59-89	62¾	......	8.18	13.56
29½	23¾	Met. Wtr. 3pc 'B'	28¾xd	......	10.50	12.88
114	97	U.B.M.C. 9pc 1982	108	+1	8.58	—
99½	91	Do. without Warnts.	99½	......	9.30	—

LOANS—Continued

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

290	173	ANZ $A1	218	-2	Q28c	3.3	8.0	3.8
280	194	Alexanders D. £1	220	-3	18.5	—	12.0	—
*562½	£48¾	Algemene Fl.100	£58½	......	Q26%	ϕ	9.5	ϕ
*116	80	Allied Irish	80	......	Q13.9%	5.5	11.2	2.3
21¾	13	Ansbacher (H.) 5p.	17	......	10.35	—	3.6	—
310	200	Bk. Ireland £1	200	......	Q28.9%	—	11.8	—
*8	3	Bk. Leumi $0.1	5	......	Q12.4%	—	0.7	—
250	170	Bk. Leumi (UK) £1	220xd	+10	G10.15	—	7.1	—
193	145	Bk. N.S.W. $A1	158	-2	Q24c	2.9	9.2	3.7
548	285	Bank Scotland £1	428	......	+17.3	5.7	5.8	3.2
512	370	Barclays £1	450xd	-8	¶22.0	q5.3	8.3	2.9
243	182	Brown Shipley £1	235	......	6.5	—	4.0	—
408	270	Cater Allen £1	320	-5	23.1	—	[illegible]	—

BANKS & H.P.—Cont.

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHERS

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

1981/82 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
650	75	Falcon Rh.50c	80	+3	Q25c	10.3	23.3
135	55	Roan Cons. K4	75	+5	—	—	—
59	20	Wankie Col. Z$1	22	......	Q3c	1.2	10.2
32	16	Zam.Cpr.SBD0.24	17	−1	—	—	—

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

1981/82 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]	[illegible]	Anglo-Dominion	[illegible]				
25½	12	Burma Mines 10p	15½	......	0.75	0.9	6.9
330	35	Colby Res. Corp.	55	−1	—	—	—
330	208	Cons. Murch. 10c.	240	+10	Q60c	1.9	13.3
10	5	‡‡Explaura Gold	6	......	—	—	—
98	47	††Hemerdon 10c.	58	......	—	—	—
180	65	Highwood Res.	75	......	—	—	—
505	165	Northgate C$1	195	......	—	—	—
633	372	R.T.Z.	418	−4	16.0	2.3	5.5
£130½	£99½	Do.9¾%Cv.Ln.'95-2000	£96½	−1½	Q9¾%	—	[10.1]
103	11	††SPO Minerals 10p	11	......	—	—	—
47	12	Sabina Inds. C$1	17½	......	—	—	—
44	21	‡Southwest C. 10p	42	−1	—	—	—
650	300	Tara Exptn. $1	327	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- Figures or report awaited.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- Not comparable.
- Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.
- Dividend cover in excess of 100 times.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	42	......	**IRISH**		
Bertrams	17#	......	Conv. 9% '80/82	£95½	......
Bdg'wtr. Est. 50p	410	......	Nat. 9¾% 84/89	£86½	+½
Craig & Rose £1	£12¾	......	Fin. 13% 97/02	£89½	+½
Finlay Pkg. 5p	27	......	Alliance Gas	53	......
Graig Ship. £1	£20	......	Arnott	220	......
Higsons Brew	78	......	Carroll (P.J.)	70	−1
Holt (Jos) 25p	565	......	Concrete Prods.	90	......
I.O.M. Stm. £1	128	......	Heiton (Hldgs.)	21	+1
Pearce (C. H.)	£11½	......	Irish Ropes	36	......
Peel Hldgs.	135	+3	Jacob	78	......
Sheff. Refrsmnt	77	......	T.M.G.	8½	+½
Sindall (Wm.)	200	......	Unidare	41½	−3

OPTIONS

3-month Call Rates

Industrials		House of Fraser	15	Utd. Drapery	7
Allied-Lyons	8	I.C.I.	24	Vickers	16
BOC Intl.	15	"Imps"	8	Woolworths	3
B.S.R.	8½	I.C.L.	5½		
Babcock	16	Ladbroke	15	**Property**	
Barclays Bank	42	Legal & Gen.	19	Brit. Land	7½
Beecham	21	Lex Service	10	Cap. Counties	16
Blue Circle	48	Lloyds Bank	42	Land Secs.	28
Boots	19	"Lofs"	6½	MEPC	28
Bowaters	24	London Brick	7	Peachey	14
Brit. Aerospace	17	Lucas Inds.	28	Samuel Props.	11
B.A.T.	38	"Mams"	12	Town & City	3½
Brown (J.)	7	Mrks. & Spncr	12		
Burton Ord.	15	Midland Bank	30	**Oils**	
Cadburys	9	N.E.I.	9	Brit. Petroleum	25
Courtaulds	8	Nat. West. Bank	38	Burmah Oil	10
Debenhams	7	P & O Dfd.	14	Charterhall	6
Distillers	15	Plessey	32	KCA	14
Dunlop	6½	Racal Elect.	35	Premier	4
Eagle Star	31	R.H.M.	6½	Shell	30
F.N.F.C.	4	Rank Org. Ord.	20	Tricentrol	22
Gen. Accident	28	Reed Intnl.	26	Ultramar	38
Gen. Electric	65	Sears	4		
Glaxo	42	Tesco	5½	**Mines**	
Grand Met.	17	Thorn EMI	42		
G.U.S. 'A'	45	Trust Houses	11	Charter Cons.	25
Guardian	25	Tube Invest.	13	Cons. Gold	45
G.K.N.	15	Turner & Newall	11	Lonrho	7
Hawker Sidd	38	Unilever	55	Rio T. Zinc	42

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 38

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Friday March 26 1982

UNIONS AND EMPLOYERS ATTACK GOVERNMENT PROPOSALS

French unveil retirement plan

BY DAVID HOUSEGO AND TERRY DODSWORTH IN PARIS

THE FRENCH Government yesterday unveiled a series of decrees and draft bills aimed at meeting election promises to reduce the retirement age from 65 to 60 and to improve consultation in industry.

Under them, from April 1983 employees would be able to retire at 60 on a pension geared to their salary over there last 10 working years. But there would be a ceiling equivalent to 50 per cent of the maximum pensionable salary under the State Social Security scheme — currently FFr 295 (£294) a month or a little less than the minimum wage.

This will have to be topped up by payments from non-state social security schemes which have yet to be negotiated with employers.

Only those with 37.5 years of social security contributions will be eligible for retirement at 60.

Companies employing more than 50 people would be forced to negotiate salaries and working hours every year, while sectoral industrial agreements would also have to be brought up to date annually.

While there would be no conclude a deal, it would become more difficult than at present for managements to escape with partial agreements forced through with the complicity of minority unions.

In future any union that has more than a 50 per cent representation in a company can veto these sort of minority deals—a measure that, in practice, will tend to give more influence to the Communist-led CGT in certain industries.

On the question of union powers the Government is proposing both to strengthen the works council system along with the rights of union officials. In companies with more than 50 workers, management is already required to submit some plans to workers' representatives. But the new Bill would require the handing over of much more financial information.

In certain cases the committee would have the right to call in an accountant, or send representatives on financial training courses.

The last two proposals, designed to increase workers' negotiating rights while strengthening worker representation and powers on the factory floor, could lead to a shift in the power structure away from centralised bargaining, although this remains to be demonstrated in practice.

Unions were critical of the pension rights attached to the possibility of retiring at 60, and the CGT also had some reservations that the extension of workers' rights did not go far enough.

Employers were worried at both the new powers given workers in industry and the possibility of increased costs to industry through early retirement and higher insurance contributions.

Bid to protect franc, Page 2

COAL BOARD CHIEF SACKED

THE GENERAL manager of the French national coal board, Charbonnages de France, was sacked by the Government yesterday after criticising the handling of energy policy, writes David White in Paris.

M Jean-Pierre Hugon was appointed to the job only a month ago. A few day later, M Hugon, who last year headed a government energy working group, resigned from the board of the national energy saving agency. He was against the Government's plan to cut the agency's budget by 17 per cent to help pay a price premium for Algerian natural gas.

M Hugon was quoted as saying the agency could no longer fulfil its objectives. M Edmond Herve, the Energy Minister, said M Hugon had failed in his "duty to respect the Government's policy and participate in its implementation."

Cross quits U.S. office equipment company

By Guy de Jonquieres

MR GEOFFREY CROSS is to resign as president and chief executive of A. B. Dick, the U.S. office equipment manufacturer which was acquired by Lord Weinstock's General Electric Company in 1978.

A. B. Dick said in Chicago that Mr Cross, who is British, had decided to leave the company to "pursue personal business interests." He would continue to serve on an interim basis until a successor was found.

Mr Cross, pictured above, joined GEC in late 1977. He had previously been managing director of ICL, Britain's largest computer manufacturer, which he helped recover from its serious financial difficulties of the early 1970s.

He played a major role in GEC's purchase of A. B. Dick for $100m (£55.6m). Since then he has devoted most of his energies to trying to transform the company from a manufacturer of mechanical copiers and duplicators into a supplier of modern electronic office products.

The company, which has annual sales of about $450m, possesses an extensive marketing network in the U.S. and abroad. But it faces intense competition in the word processor and small business computer markets from established suppliers such as IBM, Xerox and Wang.

A. B. Dick does not publish separate results but it is believed to have been trading at a loss since 1980. The results of its new product development programme are expected to start bearing fruit in the coming year.

Mr Cross, who reported directly to Lord Weinstock, GEC's managing director, was also given a brief to prospect for further corporate acquisitions in America.

According to A. B. Dick, Mr Cross, aged 48, plans to turn his attention to a number of investments which he has made in Southern California.

There was no indication yesterday of when his successor would be appointed. GEC is expected to seek candidates from within the group.

Warning by Bank on U.S. policies

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE BANK of England warned yesterday that the UK's economic recovery could be choked off if interest rates were forced up by U.S. policies.

In its Quarterly Bulletin for March, the Bank calculates that in real terms interest rates are still at a historically high level in the U.S. and elsewhere.

It suggests that large U.S. federal budget deficits combined with economic recovery there later this year could put upward pressure on real interest rates even though rates might fall in nominal terms because of a faster fall in inflation.

This would present other countries with a choice between raising their own rates which could choke growth, or allowing exchange rates to fall which could fuel inflation.

It says: "With recovery here (the UK) still in its early stages, any sizeable rise in rates would increase the difficulties of companies and tend to make economic growth this year less likely."

The Bank is significantly more pessimistic than the Treasury about prospects for growth.

The Treasury predicts output will grow 1½ per cent this year, but the Bank, which does not publish a forecast, believes recovery could be much more sluggish.

The Bank refers to the generally more concerted approach to interest rate policies recently between the main European monetary authorities. It says concerted action could help but would be difficult to operate because of different market factors and "political sensitivities."

In a special article on the effects of North Sea Oil and gas on the UK economy, the Bank cautions against the view that the recent contraction of industry represents a beneficial way of weeding out unhealthy companies.

"This process carries substantial economic and human costs in terms of unemployment and could at some point prove difficult to reverse."

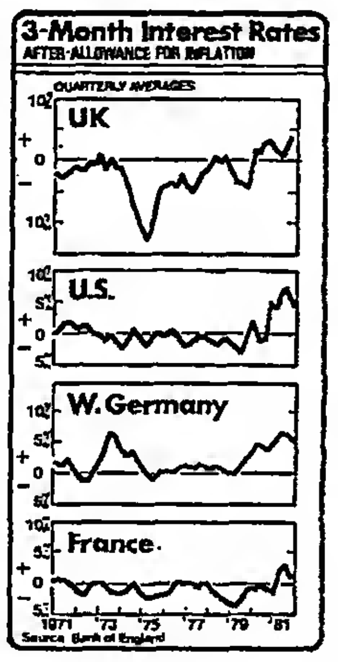
● The Bank acquired further small amounts of gold to stock up Britain's reserves in the final quarter of last year, according to figures published in the bulletin.

The Bank apparently saw the price drop to $400 an ounce at the end of last year as an opportunity for cheap buying. Since then the price has dropped a further $70.

The figures show that Britain's gold reserves rose about 2 tonnes—worth roughly $20m at present prices—in the last three months of 1981.

Bank of England Quarterly Bulletin Volume 22 No 1 March 1982. Annual subscription £18, single copies £5.

Details, Page 10; Editorial Comment, Page 20



Lucas makes £7m profit and holds interim pay-out

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

LUCAS INDUSTRIES, the motor components and aerospace equipment group, made pre-tax profits of more than £7m for the first half of its current financial year after heavy losses in 1980-81.

Mr Godfrey Messervy, the chairman, says in his interim statement that, even though demand remains depressed for most of the group's products, Lucas expects an improvement on the £4m profit achieved in the second half of 1980-81.

The results disappointed the City, which had been predicting better figures. The Lucas share price dipped for a while. By yesterday's close, however, it had recovered to 195p, unchanged on the overnight level.

In the first half of the 1980-81 financial year Lucas losses reached £25.4m after taking into account £7.21m of redundancy payments. For the full year to end-July 1981 the pre-tax loss was £21.43m.

The group cut its workforce by 10,267 in the 1980-81 trading period while a further 2,300 people were declared redundant in the first half of the current financial year at a cost of £2.28m.

Lucas is holding its interim dividend at 2.6p a share even though the cost, £2.47m, is not covered by the net profit of £2.26m.

Mr Messervy said the dividend for the full year "will be determined against the background of the trading conditions prevailing at the time of the announcement."

In the short term there is no sign of any strong recovery in demand for vehicles. In the U.S., sales of diesel engine equipment to General Motors, which held up well at first during the recession, have fallen away. This has put factories in the UK (at Ipswich) and in the U.S. (Greenville, North Carolina) on short time.

The difficult trading conditions in the Brazilian and Argentinian automotive industries are also expected to continue for some time.

Results of the aircraft business in the second half will be affected by the reduction in supplies for the Rolls-Royce RB-211 engine and the Tornado, and by start-up costs of two factories at Bradford and Huyton.

Sales for the first half rose from £543.29m to £601.66m. The group continued to maintain a high level of research and development expenditure—£28.22m in the first half compared with £26.78m in the same period last financial year.

Details, Page 22

China in $230m coal deal with Occidental Petroleum

BY TONY WALKER IN PEKING

CHINA has signed a $230m (£128m) preliminary agreement with Occidental Petroleum of the U.S. to develop large coal deposits west of Peking, mostly to serve the growing export markets in Japan and south-east Asia.

The deal is the largest joint venture between a Western company and China since the suspension of work on the Baoshan steel complex in late 1980 and the subsequent cut in foreign investment projects.

The agreement, signed yesterday by Dr Armand Hammer, Occidental chairman, and Kong Xun, chairman of the China National Coal and Development Corporation, calls for the U.S. company to supply technology and machinery for the development of the Pingshuo open-cast mine in Shanxi province.

The mine is estimated to have deposits of 1.4bn tonnes of relatively high grade steaming coal, for power stations and industrial boilers. The agreement means that after the four years it will take to bring the mine on stream, China could pose a direct challenge to Australia's dominance of the Japanese steaming coal market.

Japan imported 12m tonnes of steaming coal last year, 5m tonnes of which came from Australia. Japan's needs for steaming coal are expected to rise to 28m tonnes by 1985.

Dr Hammer said it was hoped construction of the Pingshuo mine would begin in April 1983 following a feasibility study by Island Creek Coal, an Occidental subsidiary.

Initial production would begin in early 1985, with full production levels for the first phase of development being reached in 1986 with an annual output of 15m tonnes. Yesterday's contract applies to phase one, with phases two and three still under negotiation.

The preliminary agreement calls for China to provide materials for the mine's infrastructure. Eventually it is expected to lead to a full-scale partnership with China and Occidental sharing profits on a 50/50 basis until the U.S. company retrieves its initial investment. After that profits will go 60 per cent to the Chinese and 40 per cent to Occidental.

Dr Hammer said the Chinese had made it clear that present difficulties between Peking and Washington over Taiwan would not be allowed to affect the Occidental deal.

Dr Hammer, who is in his 80s, has had long experience in dealing with Communist regimes, having negotiated a number of agreements with the Soviet Union.

UK seeks curbs on Atlantic flights

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

CURBS on the number of air services between Britain and the U.S. and controls on the number of extra seats offered on existing services will be proposed by the UK Government in Washington next week.

The move reflects growing concern about airlines' heavy losses on the route, which are believed to have run into several hundred million dollars last year. In 1981, of about 8.3m seats offered by UK and U.S. airlines over the North Atlantic nearly 3m remained empty.

The UK's proposals call for a "gateway moratorium"—a halt to the introduction of services to U.S. cities not yet served by direct flights—for two years from April 1. At present, the Bermuda Two Anglo-U.S. air services pact permits flights from the UK to 22 U.S. cities, of which only 19 are served. Passenger figures on many of those routes are very low.

The Department of Trade believes no new cities should be added to the list unless the route is justified by passenger demand.

One victim of a "gateway moratorium" would be British Airways' plans to start a Gatwick-Newark (New York) service by British Airtours this summer.

But the moratorium would not prevent any second British airline serving Kennedy (New York), Miami or Los Angeles. British Caledonian's new service from Gatwick to Los Angeles, therefore, will go ahead from May 21 as planned.

Britain believes the main cause of uneconomic operations over the North Atlantic is the excess of available seats.

The proposed curbs would mean that airlines would be allowed to put on more aircraft only if they could prove there was passenger demand—for example, if it were having to turn passengers away.

The Department of Trade believes this would not transgress U.S. anti-trust laws.

The U.S. Government, however, has always been hostile to any kind of capacity controls on air services.

No European government has so far sought such curbs, so the British move will put the U.S. Government in a difficult position.

Concern over North Atlantic losses is just as great in the U.S. as in the UK. Nevertheless, this has not prevented U.S. airlines from introducing new services, often to keep another operator out rather than in the hope of making money.

The new curbs have nothing to do with the collapse of Laker Airways since they were being mooted, with Laker support, before the airline ceased operating earlier this year.

The UK airlines are broadly in favour of the plans, and will be represented at the Washington talks.

The meeting is expected to be tough, and may last some time. It is possible it will be inconclusive, requiring a further meeting, perhaps in London.

Weather

UK TODAY

MAINLY dry and sunny with some cloud and early-morning mist.

England, Wales, Channel Isles, Man, S. Scotland, N. Ireland
Dry, sunny periods, mist or fog at first in south. Rather warm. Max. 15C (59F).

N. Scotland, Orkney, Shetland
Cloudy with rain later. Wind strong to gale. Max. 14C (57F).

Outlook: Mainly dry, becoming cooler.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	15	59	L. Ang.†	Cl	12	54
Algiers	F	18	64	Luxmbg.	S	12	54
Amsdm.	S	6	43	Luxor	S	25	77
Athens	C	7	45	Madrid	S	12	54
Bahrain	R	23	73	Majorca	R	10	50
Barclna.	F	14	57	Malaga	F	15	59
Beirut	S	15	59	Malta	F	15	59
Belfast	S	12	54	Mchstr.	S	14	57
Belgrd.	S	8	46	Melbne	—	—	—
Berlin	C	11	52	Mx. C.†	—	—	—
Biarritz	S	13	55	Miami†	—	—	—
Bmghm.	S	14	57	Milan	S	12	54
Blackp'l	S	12	54	Montrl.†	F	3	37
Bordx.	S	13	55	Moscow	C	3	37
Boulgn.	Fg	5	41	Munich	S	9	48
Bristol	S	14	57	Nairobi	F	29	84
Brussels	C	9	48	Naples	S	14	57
Budpst.	F	9	48	Nassau	—	—	—
Cairo	F	18	64	Nwcstl.	S	14	57
Cardiff	S	10	50	N. York†	—	—	—
Casbca	F	17	63	Nice	S	16	61
Cape T.	S	21	70	Nicosia	F	14	57
Chcg.†	C	2	36	Oporto	S	15	59
Cologne	S	20	68	Oslo	S	10	50
Cpnhgn.	F	11	52	Paris	S	12	54
Corfu	S	15	59	Perth	S	27	81
Denver†	Cl	−7	19	Prague	S	10	50
Dublin	S	15	59	Rykjvk.	S	5	41
Dbrvnk.	S	12	54	Rhodes	S	14	57
Edinbgh.	S	13	55	Rome	S	15	59
Faro	S	15	59	Salzb'rg	F	11	52
Florence	S	14	57	S'cisco†	—	—	—
Frankft	S	12	54	S. M'ritz	—	—	—
Funchal	S	19	66	Singapr.	F	33	91
Geneva	S	8	46	S'tiago†	—	—	—
Gibrltr.	C	15	59	Stckhm.	S	9	48
Glasg'w	S	12	54	Strasb'g	S	12	54
G'rnsey	S	10	50	Sydney	—	—	—
Helsinki	C	7	45	Tangier	C	12	54
H. Kong	R	17	63	Tel Aviv	C	17	63
Innsbr'k	S	9	48	Tenerife	[illegible]	22	72
Invrnss	S	13	55	Tokyo	F	11	52
I. o Man	S	9	48	Toronto†	C	−1	30
Istanbul	F	7	45	Tunis	R	16	61
Jersey	S	11	52	Valencia	R	11	52
Jo'burg	S	24	75	Venice	S	13	55
L. Plms.	F	20	68	Vienna	S	10	50
Lisbon	S	14	57	Warsaw	C	7	45
Locarno	S	11	52	Zurich	S	10	50
London	S	14	57				

C—Cloudy Cl—Clear F—Fair Fg—Fog R—Rain S—Sunny.
† Noon GMT temperatures.

THE LEX COLUMN

Lucas slow away from lights

Index fell 2.7 to 559.9

Weak U.S. bond prices, pressure on sterling, and some foreboding about the next set of UK money figures left gilt-edged somewhat lower again yesterday. Equities slipped by only 2.9 points on the FT 30-Share Index, a fair performance given that the £28m placing of Thomas Tilling shares takes the amount of new money raised this week—with STC and Vickers—over £100m.

Lucas

The main benefits of the Lucas reorganisation were showing through by the second half of last year and, as yesterday's interim figures showed, recovery is now more of an uphill struggle.

The six months to January are traditionally the weaker period and the bias was accentuated this time by the appalling winter weather. But after pre-tax profits of almost £24m in the second half, adding back redundancy costs, yesterday's figure of £9.3m was nothing to about about.

The anticipated upturn in demand has simply failed to materialise. The vehicle equipment division has reached break-even, after losses of £35m in the same period of last year, but this is almost wholly attributable to shrinkage — about £60m of annual wage costs were stripped out in 1980-81. The growth in UK car sales has been fully offset by the weakness of the commercial vehicle market.

Lucas is suffering like GKN from de-stocking in the U.S. car market but has to contend with the additional handicap of supplying diesel engine equipment at a time of falling oil prices. Bleakest of all is the aerospace division. Lucas has found orders to help fill the gap left by elusive RB211 sales but the new, less mature products generate much lower margins and £3m will be needed for start-up costs in the second half alone.

There are admittedly some bright spots in the trading picture, and the blood-letting has largely been completed. Lucas will show a slight cash outflow this year only because of an imminent acquisition in North America. But the balance sheet is still none too strong and, on a yield of 8.1 per cent at last night's price of 195p, the shares are still in the convalescent ward.

Ocean

Ocean's figures are a jumble. After the 26 per cent decline in pre-tax profits at the halfway stage and the warning that the second six months would show similar results, the company managed to wrong-foot everyone yesterday. It produced a 10 per cent increase in pre-tax profits in the second half — enough to hold the decline for the year to only £2.1m for an outcome of £33.4m. In fact the recovery has more to do with accounting changes than underlying trading performance.

Cleaned up, the decline in the full year would be closely in line with that in the first half, although to be fair it can all be attributed to labour disputes affecting the important associate OCL. Trading profits are up £8.6m at £39.2m—but about half the gain is due to profits on property and early debt repayments and the elimination of ship modification provisions. Translation gains are probably responsible for the rest of the improvement.

The stated figures show a sharp recovery in the associates' performance — up from £4.4m in the first half to £9.4m in the second. However, a substantial element here has been an accounting switch in capitalising pre-delivery interest.

Against a dispute-ridden period, OCL will put on a better performance in the current year, even though trade volume is slackening. But without the cover of its long charters, Ocean is now cruelly exposed to rock bottom spot bulk rates and there is an uncomfortable questionmark over the Nigerian trade. The shares rose 3p yesterday to 123p, where the yield is 10.9 per cent.

French franc

The run on the French franc may have been stemmed—but only in the very short term and at considerable cost in terms of market disruption. The Bank of France has mounted one of its practised bear squeezes, driving overnight eurofranc interest rates up to 75 per cent, which makes the 20 per cent seven-day dsicount rate on Treasury bills in the domestic Paris market look positively cheap. At the same time exchange controls have been tightened almost to the limit; exporters must now repatriate foreign currency within a fortnight rather than a month, which should lead to immediate once-off purchases of francs.

Although the franc slipped further against the very strong dollar yesterday, it rallied to FFr 2.6080 against the D-Mark against a floor level in the European monetary system of FFr 2.6205. In theory, the interest rate weapon and other technical measures are supposed to protect EMS currencies from short-term speculative flows, while the parities are defended over a longer period by the convergence of policies in member countries. But there is no sign of any convergence in this case, and the franc's life expectancy at present EMS rates is as limited as the French authorities' tolerance of dear money.